

**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 (THE "APPLICANTS")

Applicants

**MOTION RECORD
(Sanction Order, Trust Order, Approval and Vesting Order)
(returnable on February 10, 2011)**

February 4, 2011

Thornton Grout Finnigan LLP
Barristers and Solicitors
100 Wellington Street West
Suite 3200
Toronto ON M5K 1K7

D.J. Miller (LSUC #34393P)
Kyla E.M. Mahar (LSUC# 44182G)

Tel: (416) 304-1616
Fax: (416) 304-1313

Lawyers for the Applicants

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TAB 1

**ONTARIO
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(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS
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N.H. LLC**

Applicants

**NOTICE OF MOTION
(Sanction Order, Trust Order, Approval and Vesting Order)**

The Applicants will make a motion before a Judge of the Ontario Superior Court of Justice (Commercial List) on Thursday, February 10, 2011 at 10:00 o'clock in the morning or as soon thereafter as this motion can be heard at 330 University Avenue, in the City of Toronto, Ontario.

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

THE MOTION IS FOR:

1. an Order approving and sanctioning the Amended Consolidated Plan of Compromise and Arrangement concerning, affecting and involving the Applicants dated January 27, 2011, as amended (the "**Amended Plan**") subject to same being approved by the Required

Majority of the Applicants' creditors (the "**Affected Creditors**") at the meeting of Affected Creditors to be held on February 8, 2011 (the "**February Meeting**") in the form attached at Tab 3 of the Applicants' Motion Record (the "**Sanction Order**");

2. an Order approving the terms of the creditor trust agreement among the Applicants, as settlor of the trust, and the trustee, PricewaterhouseCoopers Inc. (the "**Creditor Trust Agreement**") in the form attached at Tab 4 of the Applicants' Motion Record (the "**Trust Order**");
3. an Order, among other things: (i) granting approval of the transaction agreement dated November 25, 2010 among the Applicants, as vendors and plan proponents, and Brookfield Asset Management Inc. or its designate, as plan sponsor (the "**Plan Sponsor**") (the "**Transaction Agreement**") and authorizing the Applicants to execute and deliver all definitive documentation to permit the closing of the transaction contemplated by the Transaction Agreement; (ii) vesting in the Plan Sponsor all of the Applicants' right, title, benefit and interest in and to the FPHI Shares; and (iii) vesting in the Purchased Companies of all of the Applicants' (other than the Purchased Companies) right, title, benefit and interest in the Included Property, with respect to (ii) and (iii), in each case free and clear of and from all liens, charges and encumbrances (save and except the Permitted Encumbrances in respect of the Included Property only), upon the closing of the transaction contemplated by the Transaction Agreement in the form attached at Tab 5 of the Applicants' Motion Record (the "**Vesting Order**"); and
4. such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. capitalized terms used but not otherwise defined in this Notice of Motion shall have the meanings ascribed to them in the Amended Plan;
2. pursuant to the Order of the Honourable Mr. Justice Morawetz dated June 18, 2009, as amended (the “**Initial Order**”), the Applicants filed for and obtained protection from their creditors under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and PricewaterhouseCoopers Inc. was appointed as monitor (the “**Monitor**”);
3. the Applicants sought and obtained recognition of these proceedings as foreign main proceedings pursuant to Chapter 15 of the *U.S. Bankruptcy Code* in the United States Bankruptcy Court for the District of Delaware;
4. the Applicants, with the Monitor’s assistance, entered into separate asset purchase agreements whereby the Applicants sold substantially all of their assets. Each of the asset purchase agreements was approved by Order of this Honourable Court;
5. pursuant to the Order of this Honourable Court dated November 3, 2010, the Applicants were authorized and directed to proceed with the preparation of a plan of compromise and arrangement on the basis of the substantive consolidation of all of the Applicants;
6. pursuant to the Order of this Honourable Court dated December 3, 2010, as amended by the Order of this Honourable Court dated December 17, 2010 (collectively, the “**Meeting Order**”), the Applicants filed a Consolidated Plan of Compromise and Arrangement dated November 29, 2010 (the “**Original Plan**”) and were, *inter alia*, authorized and

- directed to conduct a meeting of their Affected Creditors to consider and vote on the Original Plan;
7. the Applicants held a meeting of Affected Creditors on January 10, 2011 (the “**January Meeting**”) and the Required Majority of Affected Creditors, by dollar value, required to approve the Original Plan was not obtained and the Original Plan was therefore rejected;
 8. the Applicants advised this Honourable Court of the results of the January Meeting on January 12, 2011. In particular, although 94.8% of all Affected Creditors by number in attendance at the January Meeting voted in favour of the Original Plan, certain large claims in respect of Canadian pension plans voted to reject the Original Plan;
 9. with the Monitor’s assistance and the cooperation of the Plan Sponsor, the Applicants continued discussions with Morneau Shepell Inc. (formerly Morneau Sobeco Inc.) (“**Morneau**”) as the administrator of the Applicants’ New Brunswick pension plans, the New Brunswick Superintendent of Pensions (the “**NB Superintendent**”), the Communications, Energy and Paperworkers Union of Canada and the New Brunswick Regional Council of Carpenters, Millwrights and Allied Workers (the “**CMAW**”) to try and address the concerns that led them to reject the Original Plan;
 10. Morneau’s concerns in respect of the Original Plan were satisfied and as a result the Applicants’ proceeded to file the Amended Plan with the support of Morneau, the NB Superintendent and the CMAW;
 11. the terms of the Amended Plan are substantially similar to the Original Plan;

12. pursuant to the Order of this Honourable Court dated February 1, 2011 (the **“Supplemental Meeting Order”**), the Applicants were authorized and directed to hold the February Meeting;
13. in accordance with the Supplemental Meeting Order, the Monitor posted the February Meeting Materials on the Monitor’s website and a number of the documents comprising the February Meeting Materials were posted on the Monitor’s website in both English and French;
14. in accordance with the Supplemental Meeting Order, the Monitor sent a copy of the form of proxy and a notice to creditors advising of the February Meeting and a link to the Monitor’s website to each Affected Creditor for whom the Monitor had an email address. The Monitor also sent a copy of the February Meeting Materials by courier to each Affected Creditor that voted at the January Meeting for whom the Monitor did not have an email address;
15. the Applicants have established the NB Hourly Trust and the NB Salaried Trust and, in accordance with the terms of the Amended Plan, will establish the Creditor Trust;
16. the NB Hourly Trust and the NB Salaried Trust will hold the portion of the Distribution Pool in respect of the NB Hourly Claim and the NB Salaried Claim, respectively;
17. given the nature of the Distribution Pool, it is necessary for the Creditor Trust to be created to hold the Distribution Pool in respect of those Affected Creditors with Proven Distribution Claims, excluding the NB Hourly Claim, the NB Salaried Claim and the Proven Distribution Claim of the Pension Benefit Guaranty Corporation (**“PBGC”**);

18. the Creditor Trust is to be created pursuant to the Creditor Trust Agreement for which court approval is sought;
19. PBGC will receive and hold its Pro Rata Share of the Distribution Pool directly, in accordance with the Amended Plan;
20. the Amended Plan incorporates the Transaction Agreement whereby, *inter alia*, the Plan Sponsor will purchase the FPHI Shares, which includes the ownership of those Applicants that own the lumber mills located in Ashland and Masardis, Maine. The Transaction Agreement requires that all Included Property be transferred to the relevant Purchased Companies free and clear of all Encumbrances, except Permitted Encumbrances, and that the FPHI Shares purchased by the Plan Sponsor be free and clear of all claims and Encumbrances;
21. pursuant to the Amended Plan, upon the closing of the Transaction Agreement, the Applicants anticipate that they will have sufficient cash to make all payments contemplated by the Amended Plan;
22. in addition, the Applicants will make available for distribution to their Affected Creditors with Proven Distribution Claims their Pro Rata Share of the Promissory Notes and Common Shares of Twin Rivers Papers Company Inc. and any available cash, which distributions shall be held directly by PBGC for its own benefit and held by each of the NB Hourly Trust, the NB Salaried Trust and the Creditor Trust for the benefit of the respective trust beneficiaries in accordance with the terms of the Promissory Notes, the Common Shares and the NB Hourly Trust Agreement, the NB Salaried Trust Agreement, and Creditor Trust Agreement, respectively;

23. the Applicants are bringing this motion on the basis that the Required Majority of Affected Creditors vote to approve the Amended Plan at the February Meeting;
24. if the Amended Plan is sanctioned by this Honourable Court, the Applicants will proceed with the implementation of the Amended Plan and towards the conclusion and termination of the CCAA Proceedings;
25. the Monitor and DIP Lender support the relief sought by the Applicants;
26. the provisions of the CCAA;
27. Rules 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*, R.R.O. 1994, Reg. 194, as amended; and
28. such further and other grounds as counsel may advise and this Honourable Court may permit.

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

1. the Affidavit of Glen McMillan sworn February 4, 2011;
2. the Eighteenth Report of the Monitor, to be filed separately; and
3. such further and other materials as counsel may advise and this Honourable Court may permit.

February 4, 2011

Thornton Grout Finnigan LLP
Barristers and Solicitors
Canadian Pacific Tower
100 Wellington Street West
Suite 3200, P.O. Box 329
Toronto, ON M5K 1K7

D.J. Miller (LSUC# 34393P)
Kyla E.M. Mahar (LSUC# 44182G)
Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants

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

SERVICE LIST

THORNTON GROUT FINNIGAN LLP

Barristers and Solicitors
100 Wellington Street West
Suite 3200
Toronto, ON M5K 1K7

D.J. Miller / Kyla Mahar/ Danny Nunes

Tel: (416) 304-1616
Fax: (416) 304-1313
Email: djmiller@tgf.ca
kmahar@tgf.ca
dnunes@tgf.ca

Lawyers for the Applicants

TORYS LLP

Suite 3000, 79 Wellington St. W.
Box 270, TD Centre
Toronto, ON M5K 1N2

Tony DeMarinis / David Chernos / Natasha De Cicco/Scott Bomhof

Tel: (416) 865-0040
Fax: (416) 865-7380
Email: tdemarinis@torys.com
dchernos@torys.com
ndecicco@torys.com
sbomhof@torys.com

Lawyers for Brookfield Asset Management Inc.

BLAKE, CASSELS & GRAYDON LLP

199 Bay St.
Suite 2800, Commerce Court West
Toronto, ON M5L 1A9

Pamela Huff / Chris Burr

Tel: (416) 863-2400
Fax: (416) 863-2653
Email: pamela.huff@blakes.com
chris.burr@blakes.com

Lawyers for CIT

PRICEWATERHOUSECOOPERS INC.

Royal Trust Tower
20th Floor, 77 King Street West
Toronto, ON M5K 1K7

John McKenna / Michelle Pickett / Tracey Weaver / Jonathan Zidel

Tel: (416) 863 1133
Fax: (416) 941-8378
Email: john.p.mckenna@ca.pwc.com
michelle.pickett@ca.pwc.com
tracey.weaver@ca.pwc.com
jonathan.d.zidel@ca.pwc.com

Court-Appointed Monitor of the Applicants

GOODMANS LLP

Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Robert Chadwick/Derek Bulas

Tel: (416) 979-2211
Fax: (416) 979-1234
Email: rchadwick@goodmans.ca
dbulas@goodmans.ca

Lawyers for the Monitor

LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP

Suite 2600, 130 Adelaide St. W.
Toronto, ON M5H 3P5

Peter H. Griffin / Naomi D. Loewith / Peter Osborne

Tel: (416) 865-9500
Fax: (416) 865-9010
Email: pgriffin@litigate.com
nloewith@litigate.com
posborne@litigate.com

Lawyers for the Directors of Fraser Papers Inc.

PAULA TURTLE

Canadian Counsel, United Steelworkers
234 Eglinton Ave East, Suite 800
M4P 1K7
Tel: (416) 487-1571
Fax: (416) 487-8826
Email: pturtle@usw.ca
Canadian Counsel, USW

SACK GOLDBLATT MITCHELL LLP

20 Dundas Street West, Suite 1100

Toronto, ON M5G 2G8

Charles Sinclair

Tel: (416) 979-4234

Fax: (416) 591-7333

Email: csinclair@sgmlaw.com

Lawyers for United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union

BAKER & HOSTLETTER LLP

65E. State Street, Suite 2100

Columbus, Ohio 43215

Sherri B. Lazear

Tel: (614) 462-2631

Fax: (614) 462-2616

Email: slazear@bakerlaw.com

Counsel for Specialty Minerals Inc.

CALEY WRAY

1600 – 65 Queen Street West

Toronto, ON M5H 2M5

Jesse B. Kugler / Harold Caley / Ken Stuebing

Tel: (416) 775-4677 / (416) 775-4672

Fax: (416) 366-3292 / (416) 366-3293

Email: kuglerj@caleywrap.com

caleyh@caleywrap.com

stuebingk@caleywrap.com

Lawyers for Communications, Energy and Paperworkers Union of Canada

STEIN MONAST

70 Dalhousie Street, Suite 300

Quebec, ON G1K 4B2

Karine Dionne

Tel: (418) 640-4438

Fax: (418) 523-5391

Email: karine.dionne@steinmonast.ca

Lawyers for the municipality of Thurso

ARAV, ROBILLARD & LANIEL

Régie des rentes du Québec
2600 boulevard Laurier, Bureau 501
C.P. 5200
Québec, QC G1K 7S9

Louis Robillard

Tel: (418) 657-8702 ext. 3038

Fax: (418) 643-9590

Email: louis.robillard@rrq.gouv.qc.ca

Lawyers for Régie des rentes du Québec, a Pension Supervisory Authority for two Applicants' Pension Plans in the province of Québec

GORMAN NASON

121 Germain Street
P.O. Box 7286, Station "A"
Saint John, NB E2L 4S6

Peter H. MacPhail / Timothy M. Hopkins

Tel: (506) 636-7324 / (506) 636-7333

Fax: (506) 634-8685

Email: peter.macphail@GormanNason.com

tmh@GormanNason.com

Lawyers for the Superintendent of Pensions for New Brunswick

PINK LARKIN

1133 Regent Street, Suite 210
Fredericton, New Brunswick E3B 3Z2

Joel Michaud

Tel: (506) 458-1989

Fax: (506) 458-1127

Email: jmichaud@pinklarkin.com

Lawyers for the Active Members of the New Brunswick Regional Council of Carpenters, Millwrights and Allied Workers, Local 2450

PINK LARKIN

Suite 400, 1583 Hollis Street
Halifax, NS B3J 2M4

Ron Pink

Tel: (902) 423-7777

Fax: (902) 423-9588

Email: rpink@pinklarkin.com

Lawyers for Morneau Sobeco, in its capacity as Administrator of the NB Terminated Pension Plans

CHARBONNEAU TREMBLAY AVOCATS, S.E.N.C.

515, 37e avenue
Lasalle, Québec, H8P 3A4

Marie-Pier Charbonneau / Soleil Tremblay

Tel: (514) 364-4822

Fax: (514) 364-6499

Email: mpcharbonneau.ctavocats@gmail.com
stremblay.ctavocats@gmail.com

Lawyers for Bessette & Boudreau Inc.

HEROLD LAW, P.A.

25 Independence Blvd.
Warren, NJ 07059 U.S.A.

Gary S. Jacobson

Tel: (908) 647-1022

Fax: (908) 647-7721

E-mail gjacobson@heroldlaw.com

Lawyers for Transport Systems Inc.

SHIBLEY RIGHTON LLP

250 University Avenue, Suite 700
Toronto, Ontario M5H 3E5

Thomas McRae

Tel: (416) 214-5206

Fax: (416) 214-5400

Email: Thomas.McRae@shibleyrighton.com

Co-Counsel for the Informal Steering Committee of Fraser Papers' Salaried Retirees Committee

LOUIS BÉRUBÉ

Email: lbérubé1@nb.sympatico.ca

On Behalf of Louis Berube, Annik Berube, Remika Berube by her litigation Louis Berube,
Johnathan Berube by his litigation guardian Louis Berube, Sebastian berube by his
litigation guardian Louis Berube

FASKEN MARTINEAU DuMOULIN LLP

66 Wellington Street West
Suite 4200, Toronto-Dominion Bank tower
Toronto-Dominion Centre
Toronto, ON M5K 1N6

Stuart Brotman

Tel: (416) 865-5419

Fax: (416) 364-7813

Email: sbrotman@fasken.com

Lawyers for E.I. du Pont de Nemours and Company

DAVIES WARD PHILLIPS & VINEBERG LLP

44TH Floor, 1 First Canadian Place
Toronto, Ontario M5X 1B1

Jay A. Swartz / Robin B. Schwill / Natasha vandenHoven / Matthew Gottlieb

Tel: (416) 863-0900

Fax: (416) 863-0871

Email: jswartz@dwpv.com

rschwill@dwpv.com

nvandenHoven@dwpv.com

MGottlieb@dwpv.com

Lawyers for the Retirees and Salaried Employees of the Applicants

NORMANDIN BEAUDRY

1130, rue Sherbrooke Ouest
Suite 1100
Montreal, QC H3A 2M8

Richard Bourget

Tel: (514) 285-1122

Fax: (514) 285-1199

Email: rbouget@normandin-beaudry.ca

HONOR S. HEATH, ESQ.

Northeast Utilities Service Company
Legal Department
107 Selden Street, Berlin, CT 06037
P.O. Box 270
Hartford, CT 06141-0270

Tel: (860) 665-4865

Fax: (860) 665-5507

Email: heaths@nu.com

Lawyers for Public Service Company of New Hampshire

VERILL DANA LLP

One Portland Square
Portland, Maine 04112-0586

Roger A. Clement, Jr.

Tel: (207) 253-4412

Fax: (207) 774-7499

Cell: (207) 841-7331

Email: rclement@verilldana.com

Lawyers for Montreal Maine & Atlantic Railway, Ltd.

MINISTRY OF THE ATTORNEY GENERAL

Legal Services Branch
Financial Services Commission of Ontario
5160 Yonge Street, P.O. Box 85
Toronto, ON M2N 6L9

Alena Thouin / Deborah McPhail

Tel: (416) 590-7238
Fax: (416) 590-7556
Email: alena.thouin@fsco.gov.on.ca
deborah.mcphail@fsco.gov.on.ca
Lawyers for Superintendent of Financial Services

REED SMITH, LLP

599 Lexington Avenue, 30th Floor
New York, NY 10022

Nicole O'Sullivan

Tel: (212) 549-0234
Fax: (212) 521-5450
Email: nosullivan@reedsmith.com
Counsel for General Electric Capital Corporation and NMHG Financial Services, Inc.

THE BANK OF NEW YORK MELLON GLOBAL CORPORATE TRUST

Default Administration Group
101 Barclay Street - 8W
New York, NY 10286

David M. Kerr

Tel: (212) 815-5650
Fax: (732) 667-9322
Email: david.m.kerr@bnymellon.com
Bank of New York Mellon as Trustee.

FOX, HEFTER, SWIBEL, LEVIN & CAROLL, LLP

200 West Madison Street--Suite 3000
Chicago, IL 60606

Margaret M. Anderson

Tel: (312) 224-1224
Email: panderson@fhslc.com
Lawyers for Old Republic Insurance Company

PENSION BENEFIT GUARANTY CORPORATION

1200 K St., NW
Washington, DC 20005

Eric Field

Tel: (202) 326-4020 Ext. 3987
Email: field.eric@pbgc.gov

CHAITONS LLP

Barristers and Solicitors
185 Sheppard Avenue West
Toronto, ON M2N 1M9

Harvey Chaiton

Tel: (416) 218-1129
Fax: (416) 218-1849
Email: harvey@chaitons.com
Lawyers for Counsel RB Capital, LLC

GOWLING LAFLEUR HENDERSON LLP

1 First Canadian Place
100 King Street West, Suite 1600
Toronto, ON M5X 1H5

Clifton P. Prophet / Robin D. Walker

Tel: (416) 862-3509 / 862-4401
Fax: (416) 862-7661
Email: clifton.prophet@gowlings.com / robin.walker@gowlings.com
Lawyers for LMS Acquisition Corporation and Montreal, Maine & Atlantic Railway, Ltd.

LANG MICHENER LLP

Lawyers - Patent & Trade Mark Agents
Brookfield Place, 181 Bay Street, Suite 2500
Toronto, ON M5J 2T7

John S. Contini / Sheryl Seigel

Tel: (416) 360-8600
Fax: (416) 365-1719
Email: jcontini@langmichener.ca / sseigel@langmichener.ca
Lawyers for MGP-Papier, Inc.

THEALL GROUP LLP

4 King Street West
Suite 1410
Toronto, ON M4H 1B6

Lawrence G. Theall / Maxine Mongeon

Tel: (416) 304-0115
Fax: (416) 304-1395
Email: ltheall@theallgroup.com / mmongeon@theallgroup.com
Lawyers for Domtar Industries Inc.

MILLER THOMSON LLP

One London Place
255 Queens Avenue, Suite 2010
London, Ontario, Canada N6A 5R8

Alissa K. Mitchell

Tel: (519) 931-3516
Fax: (519) 858-8511
Email: amitchell@millerthomson.com
Lawyers for KMW Energy Inc.

VINCENT DAGENAI'S GIBSON LLP

Suite 600
325 Dalhousie Street
Ottawa, ON K1N 7G2

Charles Gibson

Tel: (613) 241-2701
Fax: (613) 241-2599
Email: charles.gibson@vdg.ca
Lawyers for the Regie des Rentes du Quebec

MORNEAU SHEPELL INC.

5151 George Street, Suite 1700
Halifax, NS B3J 1M5

Paul Chang

Tel: (902) 474-3239
Fax: (902) 420-1932
Email: pchang@morneausobeco.com
Administrator of the NB Pension Plans

GARDINER ROBERTS

40 King Street West, Suite 3100
Scotia Plaza
Toronto, ON M5H 3Y2

Jeffrey Rosekat

Tel: (416) 865-6662
Fax: (416) 865-6636
Email: jrosekat@gardiner-roberts.com
Lawyers for RHI Canada Inc.

STEWART MCELVEY

44 Chipman Hill, Suite 1000
Brunswick House
Saint John, NB E2L 4S6

Misty Watson

Tel: (506) 632-1970
Fax: (506) 652-1989
Email: mwatson@smss.com
Lawyers for Gagnon Ornamental Works Ltd.

NELLIGAN O'BRIEN PAYNE

50 O'Connor, Suite 1500
Ottawa, ON K1P 6L2

Steven Levitt/Christopher Rootham/Mark Seebaran

Tel: (613) 231-8283
Fax: (613) 788-2369
Email: steven.levitt@nelligan.ca
christopher.rootham@nelligan.ca
mark.seebaran@nelligan.ca

Co-Counsel for the Information Steering Committee of Fraser Papers' Salaried Retirees Committee

MINISTRY OF THE ENVIRONMENT LEGAL SERVICES BRANCH

10-135 St. Clair West
Toronto, ON M4V 1P5

Mario Faieta

Tel: (416) 314-6482
Fax: (416) 585-4003
Email: mario.faieta@ontario.ca

TOWN OF MASARDIS

26 School Street
Masardis, ME 04759

Judy MacDonald

Tel: (207) 435-2841
Email: macdjh@yahoo.com
Town Manager of Masardis, ME

DON COREY

Email: don.corey@twinriverspaper.com

MARK FITZHERBERT

Email: mark.fitzherbert@twinriverspaper.com

RINO GIRARD

Email: rino.girard@twinriverspaper.com
Trustees under the Declaration and Agreement of Trust dated December 2, 2010

DORIS LAVOIE

Email: dodu55@hotmail.com

JEAN CLAVETTE

Email: jeany@nb.sympatico.ca

MARIO THERIAULT

81 Boul. de la Capitale
Edmundston, NB E3V 5A2
Trustees under the Declaration and Agreement of Trust dated April 28, 2010

ITW SHIPPERS PRODUCTS

1203 N. Main Street
Mount Pleasant, TN 38474

Lee Grimmitt

Email: lee.grimmitt@itwshippers.com

HUBER RESOURCES CORP.

1141 Main Street
Old Town, ME 04468

Christopher Washburn

Email: c.washburn@huber.com

TOWN OF ASHLAND

20 School Street
Ashland, ME 04732

Deb Carney

Email: deb.carney@hotmail.com
Tel: (207) 435-2311

BUCKMAN LABORATORIES

1256 McLean Blvd.
Memphis, TN 38108

Rebecca Ahmed

Tel: (901) 272-8320
Email: rahmed@buckman.com

CIBA SPECIALTY CHEMICALS CORPORATION (n.k.a. CIBA CORPORATION)

540 White Plains Road
Tarrytown, NY 10591

Andrew R. Negele

Tel: (207)
Email: andrew.negele@basf.com

NMHG FINANCIAL SERVICES, INC.

44 Old Ridgebury Road
Danbury, CT 06810

Rhonda Estling

Tel: (319) 841-7175
Email: rhonda.estling@ge.com

MOTION INDUSTRIES, INC.

1605 Alton Road
Birmingham, AL 35210

John Ryder

Tel: (207) 478-2926
Email: john.ryder@motion-ind.com

OSLER, HOSKIN & HARCOURT LLP

P.O. Box 50
1 First Canadian Place
Toronto, ON M5X 1B8

Attention: Steven Golick

Tel: (416) 362-2111
Fax: (416) 862-6666
Email: sgolick@osler.com
Lawyers for the Town of Madawaska

BUCHANAN INGERSOLL & ROONEY PC

1000 West Street, 14th Floor
Wilmington, DE 19801-1054

Peter J. Duhig

Tel: (302) 552-4249
Fax: (302) 552-4295
Email: peter.duhig@bipc.com
Lawyers for Caterpillar Financial Services Corporation

CATERPILLAR FINANCIAL SERVICES CORPORATION

2120 West End Avenue
Nashville, TN 37203

John Tietjen

Brett T. Parks

Tel: (615) 341-1511/(615) 341-1103
Fax: (615) 341-3892
Email: john.tietjen@cat.com
brett.parks@cat.com

KEVIN ROBINSON

BARBARA ROBINSON

90 Levesque Mill Road
Ashland, ME 04732

MAINE DEPARTMENT OF LABOUR

54 State House Station
Augusta, ME 04333

Neena Quirion

Email: neena.quirion@maine.gov

MAINE DEPARTMENT OF TRANSPORTATION

Child Street
16 State House Station
August, ME 04333-0016

Email: legal.mainedot@maine.gov

KOSKIE MINSKY LLP

Barristers & Solicitors
20 Queen Street West, Suite 900
Toronto, Ontario M5H 3R3

Andrew J. Hatnay

Tel: 416-595-2083
Fax: 416-204-2872
Email: ahatnay@kmlaw.ca

Lawyers for Morneau Sobeco

UNITED RENTALS (NORTH AMERICA), INC.

96 Target Industrial Circle
Bangor, ME 04401

Melissa George

Email: mgeorge@ur.com

TOWERS WATSON

Legal Department
901 N. Glebe Road
Arlington, VA 22203

Paul Meyer

Tel: (703) 258-7564
Fax: (703) 285-7498
Email: paul.meyer@towerswatson.com
Senior Counsel for Towers Watson

TOWERS WATSON

175 Bloor Street East
Toronto, ON M4W 3T8

Lyle Teichman

Tel: (416) 960-2848
Fax: (416) 960-2819
Email: lyle.teichman@towerswatson.com
Counsel for Towers Watson

MERCER

161 Bay Street
P.O. Box 501
Toronto, ON M5J 2S5

Don Webster

Tel: (416) 868-7964
Fax: (416) 868-2865
Email: donald.webster@mercer.com
Senior Canadian Corporate Counsel for Mercer

ExcellerateHRO

201 City Centre Drive
Suite 1000
Mississauga, ON L5B 4E4

Jennifer Dunk

Tel: (905) 272-6468
Fax: (905) 272-6300
Email: Jennifer.dunk@excelleratehro.com
Account Executive

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 (collectively, the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

NOTICE OF MOTION
(Sanction Order, Trust Order, Approval and Vesting Order)

Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, ON M5K 1K7

D.J. Miller (LSUC #34393P)
Kyla E.M. Mahar (LSUC# 44182G)
Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants

TAB 2

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**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

**AFFIDAVIT OF GLEN McMILLAN
(Sworn on February 4, 2011)**

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

1. I am the Chief Restructuring Officer ("**CRO**") of Fraser Papers Inc. ("**Fraser Papers**" or the "**Company**") and Secretary of the other Applicants, and as such I have personal knowledge of the matters to which I herein depose. Where the source of my information or belief is other than my own personal knowledge, I have identified the source and the basis for my information and believe it to be true.
2. All monetary amounts referred to in this Affidavit are in United States (US) currency unless otherwise stated, and all capitalized terms used herein and not otherwise defined are as defined in the "Amended Consolidated Plan of Compromise and Arrangement" dated January 27, 2011 and filed by the Applicants, as same may be amended (the "**Plan**"). The Plan replaced an earlier Consolidated Plan of Compromise and Arrangements filed by the Applicants on November 29, 2010 (the "**Original Plan**").

I. RELIEF SOUGHT

3. This Affidavit is filed in support of a Motion brought by the Applicants for the relief set out in the Notice of Motion dated February 4, 2010 (the “**Notice of Motion**”). In particular, this Affidavit is sworn in support of the Applicants’ request for:

- (a) an Order approving and sanctioning the Plan and granting certain ancillary relief set out therein (the “**Sanction Order**”);
- (b) an Order approving the creditor trust agreement (the “**Creditor Trust Agreement**”) and appointing the initial trustee to act in respect of the Creditor Trust (the “**Trust Order**”); and
- (c) an Order, among other things, vesting the Applicants’ right, title and interest in and to: (i) the FPHI Shares in the Plan Sponsor; and (ii) the Included Property in the Purchased Companies (the “**Vesting Order**”).

4. In accordance with an Order of this Court dated December 3, 2010, as amended by an Order dated December 17, 2010 (collectively, the “**Original Meeting Order**”), a meeting of Affected Creditors to vote on the Original Plan was scheduled to be held on January 10, 2011 (the “**January Meeting**”). Annexed hereto and marked as Exhibit “A” is a true copy of the Original Meeting Order, as amended.

5. At the January Meeting, 94.8% of Affected Creditors (by number) voted to approve the Original Plan. However, as a result of claims with a significant dollar value filed in respect of the Canadian pension plans that voted against the Original Plan, the Required Majority was not achieved and the Original Plan was rejected.

6. Following further discussions and negotiations after the January Meeting, an agreement was reached among the Applicants, the Directors, Morneau Shepell Inc. (formerly Morneau Sobeco Inc.) (“**Morneau**”), in its capacity as administrator of the NB Hourly Plan and the NB Salaried Plan (the “**NB Plans**”), the New Brunswick Superintendent of Pensions (the “**NB Superintendent**”), and the New Brunswick Council of Carpenters, Millwrights and Allied

Workers local 2450 (“**CMAW**”) on January 27, 2011 (the “**Support Agreement**”). Based on the support provided to the Applicants through the Support Agreement, the Applicants proceeded with the filing of the Plan.

7. On February 1, 2011 an Order was issued by the Court accepting the Plan for filing and authorizing the calling of a meeting of creditors to vote on the Plan (the “**Supplemental Meeting Order**”). Annexed hereto and marked as Exhibits “**B**” and “**C**”, respectively, are a true copy of the Supplemental Meeting Order and an unofficial transcription of the handwritten Endorsement issued by Mr. Justice Morawetz on that date.

8. In accordance with the Supplemental Meeting Order, a meeting of creditors to vote on the Plan is scheduled to be held on Tuesday, February 8, 2011 (the “**Meeting**”). This Affidavit is filed in support of the relief sought in the Notice of Motion as described in paragraph 3 herein, on the assumption that the Required Majority of Affected Creditors approve the Plan at the Meeting. The Monitor will file a report with the Court on or about February 9, 2011 to confirm the results of the Meeting.

II. OVERVIEW OF RESTRUCTURING

9. I have sworn prior Affidavits in this proceeding outlining the various efforts undertaken by the Applicants over the past 19 months to restructure their business operations and create value for the benefit of their creditors. Those facts will not be reproduced again, but I confirm all aspects of that evidence in support of the relief requested by the Applicants at this time.

10. In summary, and in addition to the cash proceeds generated through various sale transactions, the value created for the Applicants’ stakeholders in the CCAA Proceedings includes the following:

- Future employment for the Applicants’ hourly and salaried employees at substantially all locations in Quebec, New Brunswick and Maine with the prospect for future employment in New Hampshire;

- Continued operations providing economic benefit to trade suppliers and local communities reliant on those businesses;
- Ability for certain employees to continue making contributions to a registered pension plan on a defined contribution basis through ongoing employment;
- A 49% common equity interest (the “**Common Shares**”) in Twin Rivers Paper Company Inc. (“**Twin Rivers**”), the Canadian purchaser of the Applicants’ specialty papers business, which are available for distribution under the Plan;
- An active role in Twin Rivers’ future operations through two representatives on the five-person board of directors nominated by each of: (i) the Communications, Energy, Paperworkers Union of Canada (the “**CEP**”) and (ii) the Applicants’ other unsecured creditors;
- Promissory notes payable by Twin Rivers in the aggregate amount of approximately \$44 million (the “**Promissory Notes**”), which are available for distribution under the Plan;
- Mitigation of the impact of pension deficits in the NB Plans through the negotiation of a comprehensive settlement involving a legislative amendment and an extended period of pension plan wind-up over 8 years to permit the possibility of market recovery of the pension plan assets and realization of the Common Shares and Promissory Notes distributed to the NB Plans under the Plan;
- Negotiation of agreements with the NB Superintendent, Morneau and the Ontario Pension Benefits Guarantee Fund to ensure a seamless administration of benefits, regardless of the location of the employee or retiree;
- Negotiation of the termination of the U.S. pension plan on a consensual basis to ensure that affected beneficiaries could access protections afforded by the Pension Benefit Guaranty Corporation (“**PBGC**”) on a timely basis;

- Negotiation of the return of letters of credit posted in favour of the Wisconsin Department of Natural Resources having a face value of \$2,722,475, secured by a charge in priority to unsecured creditors, for no cash consideration payable by the Applicants;
- Negotiation of the conversion of approximately CAD\$38 million in secured debt ranking ahead of unsecured creditors, to preference shares in Twin Rivers ranking subordinate to the Promissory Notes which are to be distributed to the Applicants' unsecured creditors under the Plan;
- Negotiation of \$25 million secured charge ranking ahead of unsecured creditors, to a 51% common equity interest in Twin Rivers; and
- The transfer of significant liabilities, including long-term environmental obligations and benefits obligations to employees and retirees, to the purchasers of various operations.

11. The various sale transactions undertaken by the Applicants have been described in detail in prior Affidavits and Monitor Reports filed in the CCAA Proceedings and will only be summarized in this Affidavit .

A. *Representation Orders*

12. Early in the CCAA Proceedings, motions were brought by various parties seeking Orders to represent the interest of employees, former employees and retirees. Three separate Orders were issued on September 17, 2009, wherein:

- (i) a Committee was formed for the purpose of representing the interests of all salaried employees and retirees and all other employees and retirees who were not covered by other Orders issued on that date (“**CESAR**”) and Davies Ward Phillips and Vineberg LLP was appointed by the Court as representative counsel of CESAR (“**Representative Counsel**”);

- (ii) CEP was authorized to continue to represent its active union members and to represent the interests of all the CEP union retirees, pensioners and their spouses (the “**CEP Representation Order**”); and
- (iii) the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union (the “**USW**”) was authorized to continue to represent its active union members and to represent the interests of USW union retirees and pensioners.

13. At one point during the CCAA Proceedings, Representative Counsel identified a potential conflict of interest among different constituents they were representing. Representative Counsel brought the issue to the attention of the Applicants, the Monitor and the Court, and the law firm Paliare Roland Rosenberg Rothstein LLP was introduced to represent one set of interests, while Representative Counsel continued to represent the other interests until the potential conflict was resolved.

B. *Wind-Up of Pension Plans*

(i) New Brunswick Pension Plans

14. Since the commencement of the CCAA Proceedings, the Applicants have worked closely with the NB Superintendent with the goal of minimizing the impact of the deficits under the NB Plans. This included discussions and meetings among the NB Superintendent, the Deputy Minister of Justice and Consumer Affairs/Office of the Attorney General for the Province of New Brunswick (the “**NB Deputy Minister**”), the Applicants’ counsel Thornton Grout Finnigan LLP (“**TGF**”), the Applicants’ pension and employment counsel Hicks Morley Hamilton Stewart Storie LLP (“**Hicks Morley**”) and Morneau.

15. After extensive negotiations an agreement was reached on February 24, 2010 among the Applicants, the CEP (which included national representatives and locals in the Provinces of Quebec and New Brunswick), the CMAW, the NB Superintendent and the NB Deputy Minister (the “**NB Hourly Agreement**”). The NB Hourly Agreement was a condition to the completion of an asset purchase agreement for the sale of the Applicants’ specialty papers business (the “**SPB Transaction**”). Annexed hereto and marked as Exhibit “**D**” is a true copy of the final

fully-executed NB Hourly Agreement in respect of the NB Hourly Plan, without lengthy schedules.

16. In addition to the releases contained in the NB Hourly Agreement, the CEP and the CMAW executed and delivered contractual releases in favour of the Applicants, the Directors and others. Annexed hereto and marked as Exhibit “E” is a true copy of the separate contractual release executed by CEP.

17. The terms of the NB Hourly Agreement were approved by the Court pursuant to an Order dated February 24, 2010, and by consent of the parties an amended form of the agreement was approved by further Order dated March 22, 2010. Annexed hereto and marked as Exhibits “F” and “G”, respectively, are true copies of the Orders dated February 24, 2010 and March 22, 2010.

18. A similar agreement was also reached among the Applicants, the NB Superintendent, the NB Deputy Minister, and Representative Counsel on March 17, 2010 in respect of the NB Salaried Plan (the “**NB Salaried Agreement**” and collectively with the NB Hourly Agreement, the “**Pension Agreements**”). By Order dated March 30, 2010 the NB Salaried Agreement was also approved by the Court.

19. In order to satisfy the conditions precedent under the asset purchase agreement for the SPB Transaction and to facilitate the implementation of the terms of the Pension Agreements, the Province of New Brunswick passed Bill 51, being an Act to amend that Province’s *Pension Benefits Act*, which received Royal Assent on March 26, 2010.

20. The NB Plans were then wound-up in their entirety by Order issued by the NB Superintendent in accordance with the terms of the Pension Agreements, and Bill 51 was passed to permit a closing of the SPB Transaction.

21. Separate outside trusts were established for each of the NB Hourly Plan and the NB Salaried Plan in accordance with the Pension Agreements. Annexed hereto and marked as Exhibits “H” and “I”, respectively, are copies of the final executed trust agreements for each of the NB Hourly Plan and the NB Salaried Plan, respectively. These two trusts, together with the

Creditor Trust for which court approval is sought on this motion, comprise the three trusts that will hold all consideration available for the Applicants' Affected Creditors, other than PBGC.

22. Following its appointment on March 10, 2010 and after the Court Orders approving the Pension Agreements, the NB Hourly Agreement and the SPB Transaction, Morneau conducted an investigation in connection with its preparation of a final valuation wind-up report for the NB Hourly Plan. As a result of that investigation, Morneau advised the NB Superintendent that it believed that the calculation of deferred vested benefits for those members retiring prior to age 57 with 20 or more years of service had been calculated incorrectly in previous actuarial reports filed with the NB Superintendent on behalf of the NB Hourly Plan.

23. On the basis of Morneau's interpretation of the NB Hourly Plan text, the NB Superintendent made the determination that a plan text restatement which had been previously filed by the Applicants, included an amendment to the NB Hourly Plan that was not permitted under the New Brunswick *Pension Benefits Act*.

24. The Applicants' position was that the restated NB Hourly Plan text clarified the prior wording and that the NB Hourly Plan was administered consistently with the intention of the provisions and those provisions had been made clear, were well understood by the beneficiaries of the NB Hourly Plan and had been implemented on that basis for many years.

25. On November 25, 2010 the NB Superintendent issued an Order revoking a portion of the plan restatement filed by the Applicants with the NB Superintendent in 2008 (with effect from 2005) and registered by the NB Superintendent on April 1, 2010 (the "**November Pension Decision**").

26. On December 3, 2010 Morneau provided the NB Superintendent with an update of its valuation results of the NB Hourly Plan windup position at March 31, 2010 in light of the November Pension Decision. The effect of the interpretation reflected in the November Pension Decision was to increase the wind-up deficiency in the NB Hourly Plan by approximately CDN\$30 million.

27. The Applicants disagreed with the position taken by Morneau and the NB Superintendent and on December 6, 2010 the Applicants delivered a notice of appeal of the November Pension Decision to the New Brunswick Labour and Employment Standards Board (the “**NB Board**”), requesting an expedited hearing. On December 29 and 30, 2010 the matter was heard by the NB Board.

28. On January 7, 2011 Mr. John P. McEvoy, Vice Chairperson of the NB Board, issued a decision on behalf of the NB Board upholding the November Pension Decision. A copy of this decision was previously annexed as Exhibit L to my Affidavit sworn on January 11, 2011.

29. As a result of the November Pension Decision and the decision of the NB Board, the NB Superintendent requested that Morneau calculate the amount determined to be owing to the NB Hourly Plan on account of current cost contributions arising from the increased deficit in the NB Hourly Plan. The NB Superintendent has since advised the Applicants that the amount of CDN\$422,389 is payable to the NB Hourly Plan as current cost contributions based on actuarial calculations performed by Morneau and certified to the NB Superintendent. The Applicants have made arrangements to pay this amount to the NB Hourly Plan on the Plan Implementation Date.

(ii) U.S. Pension Plan

30. The terms upon which the pension plan for U.S. employees and retirees (the “**US Plan**”) would be wound up and taken over by the PBGC were negotiated by the Applicants with the PBGC. Pursuant to a Notice of Determination issued by the PBGC terminating the US Plan and appointing the PBGC as the Trustee, and the execution of an Agreement for the Appointment of the Trustee and Termination of Plan by the Applicants on August 26, 2010, the US Plan was terminated effective April 28, 2010 and assumed by PBGC effective August 31, 2010.

31. PBGC filed an unsecured Proof of Claim in respect of the US Plan, which has been accepted by the Monitor and the Applicants for voting and distribution purposes in the amount of \$112,490,160 (the “**PBGC Claim**”). The PBGC Claim represents approximately 33% of all Proven Voting Claims.

32. PBGC is an agency of the U.S. federal government and does not have the same restrictions on its ability to hold non-cash assets as the NB Plans. Accordingly, its Pro Rata Share of the Distribution Pool (comprising the Promissory Notes, Common Shares and Cash available) can be received and held directly, rather than through a trust vehicle. The PBGC has indicated it is their preference to hold its Pro Rata Share of the Distribution Pool directly, instead of as a Creditor Trust Member.

33. The Applicants have discussed PBGC's request with the Monitor and with Twin Rivers and BAM who, together with Twin Rivers and the Applicants, are parties to a Unanimous Shareholders' Agreement ("USA") dated April 28, 2010, governing the Common Shares, which USA was entered into in connection with and pursuant to the SPB Transaction. Twin Rivers and BAM have confirmed that, subject to PBGC executing and delivering all requisite acknowledgements contemplated by the USA and the terms of the Promissory Notes acknowledging the restrictions as to assignability and transferability of the Common Shares and the Promissory Notes, together with all related documents to their satisfaction, acting reasonably, PBGC can receive its Pro Rata Share of the Promissory Notes and Common Shares directly. The Plan will be amended prior to the Meeting to reflect this arrangement.

34. The Promissory Notes are subject to certain restrictions and holders of the Promissory Notes are bound by the terms of an Intercreditor Agreement dated as of April 28, 2010 among CIT Business Credit Canada Inc., as Agent for the Lenders as defined therein, the Applicants, Twin Rivers Paper Company Inc. as borrower, and Twin Rivers Paper Company LLC and Twin Rivers Paper Company Corp. as guarantors (the "**Intercreditor Agreement**"). Annexed hereto and marked as Exhibit "**J**" is a true copy of the Intercreditor Agreement.

35. Pursuant to section 2.9 of the Intercreditor Agreement, any distribution of the Applicants' interest in the Promissory Notes to creditors pursuant to a Plan is expressly subject to the Sanction Order expressly providing that the distribution and the rights and remedies of any holder of the Promissory Notes is subject to the terms of the Intercreditor Agreement. The Sanction Order sought by the Applicants on this motion includes such declaration.

(iii) *Quebec Pension Plans*

36. The Applicants had engaged in efforts to negotiate an arrangement with the Régie des Rentes du Québec (the “**Régie**”) with respect to the pension plans registered in the Province of Quebec for the hourly and salaried employees (the “**Quebec Hourly Plan**” and the “**Quebec Salaried Plan**”, respectively and collectively, the “**Quebec Plans**”). Those efforts included a consensus pension proposal submitted to the Régie by the Applicants, the authorized representative for the beneficiaries of the Quebec Hourly Plan (the CEP), and the court-appointed representative counsel for the Quebec Salaried Plan (Representative Counsel).

37. The Régie advised by letter dated July 8, 2010, that the Minister has indicated that only the Bill 1 arrangements (extended to the Nortel retirees) would apply to retirees in the Quebec Plans.

38. On July 12, 2010, the Applicants received notice from counsel to the Régie that the Quebec Plans were to be terminated immediately, but in no event later than July 16, 2010. After further discussions between the Applicants and the Régie, the Quebec Plans were ultimately terminated as required on July 23, 2010 and the Applicants provided notice to the Quebec Plans and the Quebec Plans’ pension committees of the termination.

39. The Régie subsequently required the Applicants to revise the effective date of the termination of the Quebec Plans retroactively to April 30, 2010. The Applicants were uncertain as to whether they could legally terminate the Quebec Plans to a retroactive date, notwithstanding this request by the Régie. Accordingly, the Applicants and the Monitor agreed to lift the stay of proceedings and consent to an Order issued by the Régie requiring an amended notice of termination reflecting a termination date of April 30, 2010. The Applicants then issued an amended notice of termination on that basis.

C. Sale of Specialty Papers Business

40. Pursuant to an Order dated April 6, 2010 (the “**April Order**”), the Applicants completed the SPB Transaction with Twin Rivers. The consideration received by the Applicants on closing of the SPB Transaction totalled approximately \$193 million following settlement of

the purchase price adjustment and closing balance sheet. Annexed hereto and marked as Exhibit “K” is a true copy of the April Order, without lengthy schedules.

41. Based on the final closing balance sheet, the Promissory Notes payable by Twin Rivers have increased from an original principal amount of \$40 million to approximately \$44 million.

42. Since the closing of the SPB Transaction the Applicants have performed certain services for Twin Rivers, the costs of which are recoverable under the Pulp and Paper Green Transformation Program sponsored by the Government of Canada (“PPGTP”). Twin Rivers owes the Applicants approximately CAD \$115,000 related to these services. These amounts will be paid to the Applicants once Twin Rivers receives the related refund under the PPGTP. The Applicants’ receipt of this amount is reflected in the Cash Flow Forecast that was annexed to my Affidavit sworn on January 28, 2011, a true copy of the Cash Flow Forecast is also annexed and marked as Exhibit “L”, for ease of reference.

43. In accordance with the asset purchase agreement for the SPB Transaction, \$10 million of the Promissory Notes received on closing were to be held by the Monitor in escrow until the earlier of (i) implementation of a plan of compromise and arrangement by the Applicants; or (ii) one year following the closing of the SPB Transaction. I am advised by Wayne Johnson, Vice President, Finance of Twin Rivers that the estimated claims against the \$10 million holdback are approximately \$100,000, which will be reviewed and reported on by the Monitor, and that Twin Rivers will waive all other claims in respect of the \$10 million holdback held in escrow by the Monitor, upon the Plan being approved by the Required Majority at the Meeting and sanctioned by the Court. Accordingly, approximately \$9.9 million in escrowed Promissory Notes is expected to be available to form part of the Distribution Pool to be distributed under the Plan.

44. The completion of the SPB Transaction provided considerable benefits to the Applicants’ stakeholders, including employment for approximately 1,150 hourly and salaried employees. In addition, the ongoing operations provide a continuing source of business for many suppliers and significant benefits to the communities in the regions in which they operate.

D. Sale of Thurso, Quebec Mill

45. Pursuant to an agreement of purchase and sale dated March 18, 2010 the facility in Thurso, Quebec (the “**Thurso Facility**”) was sold, with a closing on April 30, 2010.

46. Cash proceeds in the amount of CDN\$3 million were received on closing. From these proceeds the Applicants paid property taxes including arrears for the period up to the closing date in the aggregate amount of CDN\$1.4 million, vacation pay owed to the Applicants' employees at the Thurso Facility in the amount of CDN\$175,694 and other related amounts payable on closing.

47. In addition to the net proceeds, the Applicants also received payment of CDN\$1.7 million representing reimbursement by the Province of Quebec for the care and maintenance costs associated with keeping the Thurso Facility available for a potential re-start during the months of January, 2010 to April 30, 2010. This reimbursement was in accordance with an agreement negotiated by the Applicants with the Province of Quebec.

48. As a result of the Applicants' sale, the majority of employees at the Thurso Facility received offers of employment from the purchaser.

E. Sale of Gorham, New Hampshire Mill

49. As noted in my prior Affidavits, the Applicants made three separate attempts to sell the mill in Gorham, New Hampshire (the “**Gorham Mill**”). Each of the first two agreements were terminated as a result of the purchaser's inability or unwillingness to complete the transaction.

50. On November 27, 2010, the Applicants executed an agreement of purchase and sale with Counsel RB Capital LLC. On December 3, 2010, the Applicants obtained an Order authorizing and directing them to complete the sale of the Gorham Mill, and on December 16, 2010 the transaction was completed.

51. On closing, the Applicants received cash in the amount of \$2,695,722 together with an additional \$50,000 in consideration for an extension of the closing date by one week. After

paying approximately \$81,800 for property taxes, net cash proceeds received by the Applicants on the sale of the Gorham Mill was approximately \$2.6 million.

52. The Applicants understand that the purchaser intends to restart the Gorham Mill, thereby providing an opportunity for future employment for the Gorham Mill employees.

F. Sale of U.S. Companies and Maine Lumber Mills

53. On November 26, 2010, the Applicants executed the Transaction Agreement with the Plan Sponsor. The Transaction Agreement is incorporated into the Plan. This transaction involves the purchase of the shares of Fraser Papers Holdings Inc. that are currently owned by Fraser Papers Inc. Fraser Papers Holdings Inc. owns directly or indirectly 100% of the Applicants' U.S. operating subsidiaries, including Fraser Timber Limited which owns the lumber mills in Ashland and Masardis, Maine (the "**Maine Lumber Mills**").

54. The Monitor's Fifteenth Report dated December 2, 2010 (the "**Fifteenth Report**"), and my Affidavit sworn on November 29, 2010, each describe in detail the terms of the Transaction Agreement, the consideration payable to the Applicants, and the basis upon which the Applicants and the Monitor support approval of the Plan and completion of the Transaction Agreement as being in the best interests of the Applicants' creditors.

55. Completion of the Transaction Agreement provides an opportunity for continuation of the operations at the Maine Lumber Mills and is central to the Applicants' ability to repay amounts owing to the DIP Lender. The Applicants expect that the proceeds received under the Transaction Agreement will also permit a distribution of cash to Affected Creditors under the Plan in the form of the Implementation Payment. The entry of the Canadian and U.S. Orders sanctioning and approving the Plan and Transaction Agreement are conditions to the closing of the Transaction Agreement and the implementation of the Plan on the Plan Implementation Date.

56. The Maine Lumber Mills are now in the process of purchasing logs to build a six-month inventory of raw materials required for the business. The cutting season lasts for approximately three months, and occurs twice per year. This results in significant drawings under the DIP facility during the cutting season. These draws under the DIP facility are reflected

in the Cash Flow Forecast through February 14, 2011, being the anticipated Plan Implementation Date. If the Plan is not approved by the Required Majority, the requested Orders are not granted and the Transaction Agreement does not close for any reason, the Applicants believe that there is no current means by which the Applicants can repay the DIP Lender in full in cash, such that the Promissory Notes or Common Shares could be available for the Applicants' unsecured creditors.

III. THE CLAIMS PROCESS

57. By Order dated July 15, 2009, as subsequently amended (the "**Claims Order**") a claims process was established in this proceeding. All capitalized terms used in Part III of this Affidavit and not otherwise defined, are as defined in the Claims Order.

58. The Applicants and the Monitor provided extensive notice of the Claims Order and the call for claims against the Applicants and directors through a variety of means, in accordance with the Claims Order. In addition, all Known Creditors as reflected on the Applicants' books and records received a Proof of Claim Document Package.

59. A total of 29 claims had been filed against the Directors pursuant to the Claims Order in this CCAA Proceeding. At the time the April Order was issued, only 16 of those claims remained outstanding and were referred to in paragraph 11 of the April Order. I am advised by Tracey Weaver of the Monitor, and do verily believe, that since the date of the April Order all claims against the Directors have been withdrawn with the exception of one claim in the amount of \$2,306 filed by an employee, which is a disputed claim. This claim is a Duplicate Claim (as defined below), in that a claim has also been filed by Representative Counsel on this employee's behalf, which has been allowed as a Proven Distribution Claim against the Applicants. The Monitor has been attempting to have this employee withdraw this duplicate claim, but has received no response to date. The Monitor has advised me that it is not aware of any other Claims against the Directors pursuant to the Claims Order.

60. Pursuant to the Claims Order and the Supplemental Meeting Order, the Monitor is responsible for overseeing the claims process, reviewing all Proofs of Claim and receiving all proxies in connection with the Meeting. I am advised by John McKenna of the Monitor and do

verily believe that the Monitor will be filing a report after the Meeting and prior to the Sanction Hearing, which will include details regarding the claims process and the results of the Meeting.

61. Further to my Affidavit sworn on November 29, 2010, there are 6 duplicate claims that have been filed and not withdrawn in this CCAA Proceeding: (i) three in respect of funding deficiencies and related amounts owing to the defined benefit pension plans for hourly employees either in Quebec or in New Brunswick; and (ii) three in respect of amounts owing to current or former employees of the Applicants (the "Duplicate Claims").

62. CEP filed two Duplicate Claims, one in respect of the NB Hourly Plan, and one in respect of the Quebec Hourly Plan. With respect to the NB Hourly Plan, a Proof of Claim was filed by Morneau as administrator of the NB Hourly Plan, which has been accepted by the Monitor and the Applicants for voting and distribution purposes. With respect to the Quebec Hourly Plan, a Proof of Claim was filed by the pension committee which has been accepted on a placeholder basis for voting and distribution purposes. It is the view of the Applicants, in consultation with the Monitor, that the claim filed by Morneau in respect of the NB Hourly Plan, and the claim filed by the pension committee in respect of the Quebec Hourly Plan are the appropriate claims to be recognized and allowed in respect of each of those pension plans.

63. CEP had previously withdrawn the Proof of Claim it filed in respect of the NB Hourly Plan upon Morneau being appointed as administrator and filing a Proof of Claim on behalf of the NB Hourly Plan. CEP subsequently advised the Monitor that it re-instated it, and then filed an amended Proof of Claim in a higher amount to reflect the higher deficit claim resulting from the decision of the NB Board.

64. A third Duplicate Claim relating to the NB Hourly Plan was filed by the Ontario Superintendant of Financial Services, which is encompassed in the amount of the Claim filed by Morneau for the NB Hourly Plan.

65. The three employees that have filed Duplicate Claims are all represented by Representative Counsel. Representative Counsel filed claims on their behalf, which have been accepted against the Applicants for voting and distribution purposes.

IV. THE PLAN

A. The Plan

66. In developing the Plan, the Applicants have sought to maximize the recovery available for their Affected Creditors in a manner that addresses the Affected Claims in a consistent and equitable manner.

67. The purpose of the Plan is to:

- (i) settle Affected Claims and to achieve a compromise and arrangement of all Affected Claims against the Applicants and the Directors in a manner that provides consistent and equitable treatment among the Applicants' Affected Creditors;
- (ii) complete the Transaction Agreement; and
- (iii) allow for the orderly allocation of the Distribution Pool to the Affected Creditors.

68. The Plan will become effective on the Plan Implementation Date. It is contemplated that the Plan will be implemented by the Applicants on or about February 14, 2011, subject to the conditions precedent under the Plan and the Transaction Agreement being satisfied on or before that date.

69. Pursuant to the Plan, Affected Creditors with Proven Distribution Claims will receive the Implementation Payment and be allocated their Pro Rata Share from the Distribution Pool. The Distribution Pool will be comprised of the Promissory Notes, the Common Shares and any Cash that is available.

70. The Applicants have considered alternative scenarios to the Plan and believe that Affected Creditors will derive the greatest benefit from the implementation of the Plan supported by the DIP Lender, the Plan Sponsor, the Monitor, the parties to the Support Agreement and PBGC, and that the Plan represents the best source of recovery for the Applicants' stakeholders.

B. Distributions under the Plan

71. Prior to making any distributions under the Plan, the Monitor will establish the Reserve for any Unresolved Claims.

72. The Monitor will then allocate to each of the Applicants' Affected Creditors with a Proven Distribution Claim their Pro Rata Share of the assets in the Distribution Pool.

73. The Applicants, in consultation with the Monitor, will deliver the Pro Rata Share of the Distribution Pool to the Affected Creditors with Proven Distribution Claims 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;
- (c) in respect of the PBGC Claim, to PBGC directly; and
- (d) in respect of all other Proven Distribution Claims, to the Creditor Trust.

74. Creditors with Unresolved Claims will not be entitled to receive an allocation or a distribution from the Distribution Pool until such time as their Unresolved Claims are determined to be Proven Distribution Claims in accordance with the Claims Order.

75. Subject to the Applicants having the Aggregate Implementation Payment Amount after repaying the Prior Repayments, the Applicants will make an Implementation Payment to each Affected Creditor with a Proven Distribution Claim on the Implementation Payment Date in the amount of the lesser of: (i) the full amount of the Affected Creditor's Proven Distribution Claim; or (ii) \$500.00.

76. It is anticipated that the Applicants will have sufficient Cash on the Plan Implementation Date to make the Implementation Payments and all the amounts contemplated to be paid under the Plan.

77. After determination of all Unresolved Claims, on the Final Determination Date the Monitor, on behalf of the Applicants and in accordance with the terms of the Plan, will: (i)

allocate to the Affected Creditors with Unresolved Claims that have become Proven Distribution Claims, their Pro Rata Share of the Distribution Pool from the Reserve and will deliver it to the Creditor Trust; (ii) make the Implementation Payment to any Affected Creditor with an Unresolved Claim that has become a Proven Distribution Claim; and (iii) remit the remaining assets comprising the Distribution Pool in the Reserve to the Trusts and PBGC, based on their respective Pro Rata Share.

78. In so doing, as at the Final Determination Date, the Applicants will have allocated to the Trusts and PBGC, all of their assets for the benefit of their Affected Creditors with Proven Distribution Claims.

C. Releases Under the Plan

79. The Releases under the Plan are an integral component of the Plan and are necessary to the success of the Plan.

80. Article 9.01 of the Plan provides that, among other things, in consideration for the establishment of the Creditor Trust and the distributions to be made pursuant to the Plan, 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 respective current and former legal representatives, directors, officers, predecessors, heirs, spouses, dependents, administrators, executors, subsidiaries, affiliates, related companies, member companies, partners, shareholders, employees, solicitors, attorneys, auditors, contractors, consultants, financial advisors, servants, agents and assigns (collectively, the **Released Parties**”), will be released and discharged from the Released Claims as defined therein. The release under Article 9.01 of the Plan does not operate to release Unaffected Claims or certain Non-Released Parties from specified Non-Released Claims, but precludes Non-Released Parties from claiming over against a Released Party.

81. The Released Parties are, and have been, essential to the Applicants’ restructuring efforts culminating in the Plan. Without their support and assistance, the Applicants would have been unable to present a plan to their Affected Creditors that provides for the distribution of Cash in the form of the Implementation Payment, in addition to the allocation and delivery of the

Promissory Notes and Common Shares to the Trusts and PBGC. Without the support and assistance of the Released Parties, the Applicants may well have been unable to even commence the CCAA Proceedings and to enter into the various transactions that have, in addition to maximizing recovery for the Applicants' Affected Creditors, preserved employment or the prospect of future employment for the Applicants' hourly and salaried employees in Quebec, New Brunswick, New Hampshire and Maine and provided continued economic activity in the communities where those operations are located.

82. Furthermore, without the Applicants' commitment to include the release provisions in the Plan, it is unlikely that the Applicants would have garnered the support of certain Released Parties who will be releasing priority charges in their favour in consideration of the closing of the Transaction Agreement and implementation of the Plan. As such, the releases contained in Article 9.01 of the Plan recognize the contribution that the Released Parties have made to the CCAA Proceedings, the Applicants' restructuring efforts and the Plan that has been put before the Applicants' Affected Creditors for consideration.

83. The provisions of the Plan which state that the release does not apply to the Non-Released Parties or the Non-Released Claims were included at the request of Morneau, the CMAW and the NB Superintendent, and were a condition of the Support Agreement executed by those parties. In recognition of the fact that the Non-Released Parties will be prohibited from asserting a claim at any time against the Released Parties, the language in Section 9.01 of the Plan and in paragraph 5 of the Support Agreement ensures that any claim against a Non-Released Party is solely for the several liability of such Non-Released Party's contribution to any loss or damages.

D. Creditor Trust

84. The Applicants have prepared a Creditor Trust Agreement in respect of the creation of the Creditor Trust, with input from the Monitor and affected stakeholders. At the time the Supplemental Meeting Order was obtained, the Applicants and the Monitor were considering whether it would be advisable or necessary to establish a separate trust to hold the Pro Rata Share of the Distribution Pool for those Affected Creditors who are U.S. residents.

85. The Applicants and the Monitor considered this issue further with their Canadian and U.S. advisors and have determined that it is not in the best interests of the Affected Creditors as a whole that such step be taken in the circumstances. Annexed hereto and marked as Exhibit “M” is a true copy of the most recent draft of the Creditor Trust Agreement negotiated by the parties for which court approval is sought.

86. The Trust Order sought by the Applicants is substantially in the form attached as Tab 4 to the Applicants’ Motion Record.

E. Amendments to the Plan

87. Certain amendments will be made to the Plan since the date of the Supplemental Meeting Order to reflect the fact that there will not be a separate trust established for Affected Creditors who are U.S residents. In addition, amendments will be made to reflect the fact that PBGC will receive its Pro Rata Share of the Distribution Pool directly on account of the PBGC Claim, rather than have it held and administered by the Creditor Trust.

88. The Applicants and the Monitor will consider whether any further amendments to the Plan ought to be made. If the Applicants determine that further amendments to the Plan are appropriate prior to, during, or after the Meeting, the Applicants and the Monitor will provide notification of such amendments in accordance with the Supplemental Meeting Order.

F. Supplemental Meeting Order and Notice

89. The Supplemental Meeting Order authorized the Applicants to proceed in the calling of the Meeting to all Affected Creditors to consider and vote on the Plan. Capitalized terms used in this section of my Affidavit are as defined in the Supplemental Meeting Order.

90. The Applicants have worked closely with the Monitor to ensure that notice was provided and that the February Meeting Materials were delivered to all Affected Creditors in accordance with the Supplemental Meeting Order. I am advised by John McKenna of the Monitor and do verily believe that:

- (i) the February Meeting Materials were posted on the Monitor's website in accordance with paragraph 7 of the Supplemental Meeting Order;
- (ii) the Proxy, New Notice to Creditors and link to the Monitor's website were provided to all Affected Creditors electronically at the email address shown in their Proof of Claim or as otherwise provided by paragraph 8 of the Supplemental Meeting Order; and
- (iii) the February Meeting Materials were sent to each Affected Creditor that voted, in person or by proxy at the January Meeting, and for which the Monitor does not have an email address, by courier, in accordance with paragraph 9 of the Supplemental Meeting Order.

91. In a further effort to explain the current status of the restructuring, including the rejection of the Original Plan, the calling of the Meeting and the voting on the Plan, the Applicants prepared a letter to Affected Creditors in English and French, which was included in the complete package that was sent by courier to Affected Creditors who had previously filed a proxy and for whom the Monitor did not have an email address. It was also posted on the Monitor's website with a link provided electronically to those who received the February Meeting Materials by email. Annexed hereto and marked as Exhibit "N" is a true copy of the English form of letter prepared by the Applicants for their Affected Creditors.

92. I verily believe that, as a result of the extensive efforts undertaken by the Applicants and the Monitor to date, all Affected Creditors will have been provided with notice of the Meeting, the terms of the Plan and related documents, and will have been given an opportunity to vote on the Plan if they choose to do so.

93. In addition, as a result of issues raised by Morneau involving actuarial firms and third party administrative agents who previously had a role in respect of the NB Plans (referred to as the Non-Released Parties under the Support Agreement and the Plan), the Applicants' pension counsel Hicks Morley provided notice of this fact to the two actuarial firms most recently used

by the Applicants. Annexed hereto and marked as Exhibit “O” is a true copy of the letter sent by Hicks Morley to these two firms on December 22, 2010.

94. On January 28, 2011 the Non-Released Parties received a detailed cover letter, together with an electronic copy of the Motion Record in support of the Supplemental Meeting Order, which contained a black-lined version of the Plan to be voted upon by Affected Creditors at the Meeting, and in respect of which the Sanction Order would be sought by the Applicants. Annexed hereto and marked as Exhibit “P” is a true copy of the cover letter sent by the Applicants’ counsel TGF to the Non-Released Parties with the Motion Record on January 28, 2011.

95. I am advised by D.J Miller of TGF and do verily believe that on January 31, 2011 she spoke to each of the following counsel for the Non-Released Parties to (i) confirm that they received the Motion Record in respect of the Supplemental Meeting Order, (ii) direct them to the terms of the Plan and in particular Article 9.01 thereof, and (iii) advise them of the relief sought by the Applicants including the Sanction Order:

- (a) Don Webster, senior corporate counsel with Mercer;
- (b) Paul A. Meyer, senior counsel with Towers Watson (U.S); and
- (c) Michelle Shriro, outside U.S. bankruptcy counsel for Accelerate HRO.

In addition, I am further advised by D.J. Miller and do verily believe that she spoke to Lyle Teichman, counsel with Towers Watson (Canada) on that same date to confirm his receipt of the above-referenced motion materials. Mr. Teichman acknowledged receipt, and referred Ms. Miller to Mr. Paul Meyer for future communications.

96. The Non-Released Parties referred to above are therefore aware of the relief sought by the Applicants and the manner in which that relief and the terms of the Plan may affect them, and will receive a copy of this Affidavit, when served.

G. Meeting of Creditors and Sanction Hearing

97. In accordance with the Supplemental Meeting Order, as a matter of cost efficiency, the Meeting to vote on the Plan will be held at the offices of TGF on Tuesday, February 8, 2011 at 10 a.m. If the Required Majority vote to approve the Plan, the Sanction Hearing is expected to proceed on February 10, 2011 and the Sanction Recognition Hearing is scheduled to be heard by the U.S. Court on February 11, 2011 at 2:30 p.m.

V. PLAN IMPLEMENTATION TO CCAA TERMINATION

A. Steps to Implementation

98. Article 7.01 of the Plan lists the conditions precedent to implementation of the Plan in favour of the Applicants, the Plan Sponsor and the DIP Lender, as applicable. Upon satisfaction or waiver of those conditions, the parties expect to immediately move to implement the Plan. If the Sanction Order is granted on February 10, 2011 and the Sanction Recognition Order is obtained from the U.S. Court on February 11, 2011 the Applicants expect to implement the Plan and complete the Transaction Agreement on February 14, 2011 or as soon thereafter as possible, subject to the satisfaction or waiver of the conditions under the Plan and the Transaction Agreement.

99. The Applicants have been working diligently with the Plan Sponsor, U.S. counsel, the Monitor and its counsel, and counsel for various other parties with a view to having all documentation in connection with the closing of the Transaction Agreement and implementation of the Plan completed for February 14, 2011.

B. Resolution of Outstanding Claims

100. The Applicants and the Monitor have been working diligently to resolve all Claims and it is anticipated that there will be only a few Unresolved Claims on the Plan Implementation Date.

101. The claim of MGP Papier Inc. (“**MGP**”), as described in prior Affidavits, will likely be an Unresolved Claim on the Plan Implementation Date. A schedule for the delivery of all material, cross-examinations and final determination of the claim was previously agreed to with

counsel for MGP and the schedule is currently being amended as a result of the delay that occurred as a result of the Original Plan being rejected. It is expected that a hearing in respect of this claims will occur by March 31, 2011.

102. It is anticipated that the other Unresolved Claims will be resolved or determined by March 31, 2011.

C. Residual Assets/Issues

103. As outlined in my prior Affidavits and Monitor's Reports, Fraser Papers Inc. owns an old fishing camp on leased land in northern Quebec. The land is leased from the Crown and is subject to an annual renewal. An agreement of purchase and sale has been executed for a sale price of CDN\$40,000 and a closing date of March 31, 2011. Upon completion of the sale, the net sale proceeds will be paid to the Trusts and PBGC based on the final Pro Rata Share held by those parties as determined on the Final Determination Date.

104. As described in my prior Affidavits, long term disability ("LTD") benefits previously payable by the Applicants were funded through a health and welfare trust, established by Agreement and Declaration of Trust dated January 1, 1988.

105. The Applicants have requested quotes from life insurance companies for the premium cost of purchasing an annuity on an insured, non-refundable basis as the Applicants intend to purchase an annuity to cover the LTD obligations payable from the health and welfare trust, which will be completed prior to the Final Determination Date. Concurrent with the purchase of the annuity for LTD benefits, salaried LTD beneficiaries receiving medical benefits will be advised of the Applicants' termination of those benefits, and their option to pay their own premiums in future to maintain coverage. Subject to the finalization of an agreement, the amount expected to be available to form part of the Distribution Pool is approximately CDN\$1.5 million, after purchase of the annuity for LTD obligations.

106. The Applicants own two remote properties in the Province of Quebec that were owned by a predecessor company. They have not been used in connection with any operations of the Applicants for many years, but the Applicants have been paying annual property taxes in the

aggregate amount of approximately CAD\$1,500. One property is located in the municipality of Notre Dame du Laus, and the second is in the municipality of Antoine Labelle. Due to their location and past use, these properties have no known commercial or other value that could be realized for the benefit of the Applicants' creditors.

107. The Applicants have, through their Quebec counsel, been in discussions with the two local municipalities to determine if there is any interest on their part in acquiring these properties for a nominal amount, and assuming any liabilities in connection with the properties. No claims have been filed by any parties in respect of these properties, and the Applicants have therefore not been made aware of any potential claims that may exist.

108. The municipality of Notre Dame du Laus is interested in acquiring the property provided it can satisfy itself as to any potential liabilities. This municipality has requested that it be given until mid-February to confirm whether it's prepared to proceed on the basis suggested by the Applicants. The Applicants will be making no further realty tax payments to the municipalities in respect of these properties, and will continue their discussions with the municipalities prior to termination of the CCAA Proceedings.

109. Since 2004, the Applicants have purchased property insurance policies which provide for annual premium rates to be adjusted based on claims experience (the "**Deductible Buydown Policies**"). The Applicants have made very few claims under the Deductible Buydown Policies. In June of 2010, the most recent Deductible Buydown Policy expired and was not renewed.

110. As a result of the low level of claims and the expiry of the Deductible Buydown Policy, the insurer has advised the Applicants that they are eligible for a return of premiums due to favourable claims experience relative to the insurance premiums paid. The Applicants have been advised that the refund will be approximately \$1.1 million and these funds are expected to be available for the Distribution Pool.

D. Outstanding Letters of Credit

111. As outlined in prior Affidavits and in the Fifteenth Report, certain letters of credit have been issued under the DIP facility and are outstanding in the face amount of approximately \$4.9

million. These letters of credit are posted as security against policy deductibles under workers compensation insurance policies in the U.S. The Applicants believe that the estimated liability for outstanding workers compensation claims is currently less than \$1.5 million.

112. I have been attempting to have the security held by these insurance companies for the workers compensation obligations reduced. To date, I have only been able to obtain small reductions as the insurers are reluctant to release security, particularly due to the Applicants' financial position.

113. In addition, I have approached insurers in an effort to have them buy out the remaining liability pursuant to the insurance policies. To date, we have not made any alternate arrangements with any insurers.

114. The outstanding letters of credit represent an obligation and liability of the Applicants under the DIP facility that is secured by the DIP Lender's Charge over all of the Applicants' assets. In order to enable the DIP facility to be repaid in full and the DIP Lender's Charge to be released on the Plan Implementation Date, the DIP Lender is entitled to receive cash in an amount sufficient to fully repay all current borrowings under the DIP facility, and to satisfy the Applicants' liability in respect of the outstanding letters of credit.

115. The Transaction Agreement provides that on the Plan Implementation Date, upon the DIP facility being repaid in full from the proceeds of the Transaction Agreement, the Plan Sponsor will assume responsibility for managing the remaining outstanding workers compensation claims, including making payments in respect of claims out of the funds received from the Applicants in repayment of the DIP facility. Over time, as the remaining employee workers compensation claims are discharged, the LC requirement will be reduced by the insurance companies. As the LC requirement is reduced, and ultimately once it is extinguished by the return and cancellation of the letters of credit, any funds that are in excess of: (i) the amounts required to repay all obligations; plus (ii) the financial and administrative costs of the letters of credit, will be reimbursed by the Plan Sponsor to the Trusts and PBGC.

116. The terms and conditions under which the Plan Sponsor will administer the claims and reimburse any excess cash will be contained in an Administration Agreement among the Plan Sponsor, the Applicants, the trustees of the Trusts and PBGC. That document is currently being finalized among the parties and will be filed prior to the Sanction Hearing as a schedule to the Monitor's Report or in a supplemental Affidavit I swear for that purpose.

117. In furtherance of the Support Agreement and subject to implementation of the Plan prior to February 15, 2011, the Plan Sponsor has agreed to prepay \$0.5 million in cash on the Plan Implementation Date with respect to the reimbursement obligation set out in section 4.3 of the Transaction Agreement. This will provide the Applicants with additional comfort that there will be sufficient cash available to make all payments contemplated by the Plan. This prepayment will satisfy the first \$0.5 million of any cash reimbursement payment obligations that the Plan Sponsor may have under section 4.3 of the Transaction Agreement.

E. Completion Fund

118. Prior to implementation of the Plan, a fund (the "**Completion Fund**") will be established to hold the Cash required to fund; (i) implementation of the Plan; (ii) completion of the Claims Process in respect of Unresolved Claims; (iii) professional fees of the Monitor and its counsel, the Claims Officer, Representative Counsel, the Applicants and their Canadian and U.S. counsel; and (iv) all other expenses incurred to the termination of the CCAA Proceedings.

119. The Applicants and the Monitor will determine the amount required to be held in the Completion Fund, in consultation with the beneficiaries of the Administration Charge. The Completion Fund will secure the Administration Charge and the Directors' Charge. All other CCAA Charges will be terminated effective on the Plan Implementation Date. Any remaining cash of the Applicants that is not required to fund the Completion Fund will be distributed to the Trusts and PBGC, based on their respective Pro Rata Share as determined on the Plan Implementation Date.

120. Upon all amounts owing by the Applicants being paid from the Completion Fund, the Applicants and the Monitor will direct payment of any residual amount to the Trusts and PBGC, based on their respective Pro Rata Share as determined on the Final Determination Date.

F. Cash Flow Forecast

121. As at the time of swearing this Affidavit the DIP balance is \$8.8 million, consisting of \$3.9 million of direct drawings and approximately \$4.9 million in letters of credit that have been issued by the DIP Lender. Based on the updated Cash Flow Forecast attached as Exhibit “L” to this Affidavit, the Applicants anticipate that they will be able to repay the DIP in its entirety with the proceeds of the Transaction.

122. After repayment of the DIP, paying the Implementation Payment and paying all other amounts contemplated by the Plan, the Applicants estimate they will have approximately \$4.3 million of cash available. The Applicants will require approximately \$3.0 million in cash through April 30, 2011 to implement the Plan and complete all outstanding issues to termination of the CCAA Proceeding. Provided no unexpected costs and expenses are incurred and that all estimated cash collections in the amount of approximately \$200,000 are received, this will result in there being approximately \$1.6 million available for distribution to creditors (including up to \$100,000 for Secured Creditors), which will include an amount required to fund the Creditor Trust.

123. This Cash Flow Forecast contains certain assumptions, including the approval of the Plan by the Required Majority of Affected Creditors, the obtaining of the Sanction Order and the Sanction Recognition Order, and Plan Implementation and closing of the Transaction Agreement as contemplated herein.

VI. CONSEQUENCES OF PLAN FAILURE

124. As I have sworn in prior Affidavits filed in this proceeding, prior to execution of the Transaction Agreement and development of the Original Plan, I could see no scenario in which cash would be available for distribution to unsecured creditors. With the passage of time and the fees and expenses that have continued to be incurred, the uncertainty as to whether the Promissory Notes and Common Shares would be available for distribution to the unsecured creditors is heightened if the Transaction Agreement does not close, as the DIP Lender would not receive full repayment.

125. The Applicants and the Monitor are of the view that the Plan and the Transaction Agreement represent the best path forward for the Applicants' creditors. If the Plan is not approved, the Transaction Agreement will not close, as one is conditional upon the other. If that occurs, there is no further or other plan of compromise and arrangement that would be presented by the Applicants to their creditors on a substantively consolidated basis. While it may be feasible for the Applicants to seek to conclude a transaction on substantially similar terms to the transaction contemplated by the Transaction Agreement pursuant to a separate motion seeking an approval and vesting order, the corresponding delay and additional costs would significantly (and negatively) impact the Applicants' creditors.

126. In such a scenario there would not be any Cash available for distribution and the DIP Lender would likely not receive payment in full in Cash, resulting in the Promissory Notes and Common Shares continuing to secure the indebtedness owing to the DIP Lender. Also, without a plan, the Applicants would still have to come back to court to seek approval to distribute any remaining Promissory Notes and Common Shares to its creditors. This type of allocation amongst the Applicants on a non-consolidated basis would be costly and therefore financially detrimental to all unsecured creditors.

127. In addition, in any alternative process it is unlikely that the outside date by which the Transaction Agreement is required to be completed would be met (February 15, 2011), which could have a material impact on the price a purchaser may be prepared to pay for the Purchased Companies. The additional time and costs required to continue these proceedings would result in there being no prospect of repaying all amounts owing to the DIP Lender and Secured Creditors so as to allow the Common Shares and Promissory Notes to be available for benefit of the Applicants' unsecured creditors.

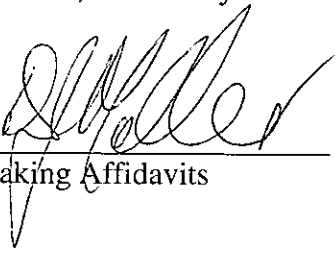
128. In the event the DIP Lender is not repaid in full such that there was no distribution of the Promissory Notes and Common Shares this could impact the funded ratio under each NB Plan, and therefore the pension payment entitlements received by retirees under the NB Plans.

129. The Pension Agreements referred to above mitigated the impact of the deficits that exist in the NB Plans. The existing funded ratio under the NB Plans was increased when certain

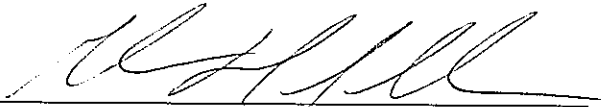
factors, including the anticipated future consideration to be received by each of the NB Plans from the Applicants, was taken into account.

130. I swear this Affidavit in support of the relief requested in the Applicants' Notice of Motion and for no other or improper purpose.

SWORN before me at the City of Toronto,
in the Province of Ontario, this 4th day of
February, 2011.



Commissioner for Taking Affidavits



GLEN McMILLAN

EXHIBIT “A”



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

THE HONOURABLE MADAM

JUSTICE PEPALL

) **FRIDAY, THE 3RD DAY**
)
) **OF DECEMBER, 2010**

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

MEETING ORDER

THIS MOTION, brought by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an Order, among other things, (a) accepting the filing of the Consolidated Plan of Compromise and Arrangement dated November 29, 2010 (the "**Plan**"), (b) authorizing the Applicants to establish one class of Affected Creditors for the purposes of considering and voting on the Plan, (c) authorizing the Applicants to call, hold and conduct the meeting of their Affected Creditors (the "**Meeting**") to consider and vote on a resolution to approve the Plan, (d) approving the procedures to be followed with respect to the calling and conduct of the Meeting, (e) setting the date for the hearing of the Applicants' motion seeking an Order sanctioning the Plan (the "**Plan Sanction**

Hearing”), and (f) establishing a revised Restructuring Claims Bar Date, was heard this day at 330 University Avenue, in the City of Toronto, Ontario.

ON READING the affidavit of Glen McMillan sworn on November 29, 2010 (the **“McMillan Affidavit”**), the supplemental affidavit of Glen McMillan sworn on December 2, 2010, the Affidavit of Paul Des Rosiers sworn on December 2, 2010, the Affidavit of J.E. Wilson sworn on December 2, 2010, the Fifteenth Report (the **“Fifteenth Report”**) of PricewaterhouseCoopers Inc., in its capacity as court-appointed monitor of the Applicants (the **“Monitor”**), filed separately, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for Brookfield (US) Corporation, as DIP Lender and Brookfield Asset Management Inc., as Plan Sponsor and as Administrative Agent and Collateral Agent for the DIP Lender (collectively, **“BAM”**), counsel for the court-appointed Committee Representing Unrepresented Employees and Former Employees (the **“Representative Counsel”**), counsel for Communications, Energy and Paperworkers Union of Canada and as agent for the NB Superintendant of Pensions (**“CEP”**), counsel for the Superintendent of Financial Services of Ontario, counsel for Morneau Sobeco as the administrator of the New Brunswick pension plans and the counsel for United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union (**“USW”**), no one appearing for any other party on the service list in these CCAA Proceedings (the **“Service List”**) although all duly served as appears from the affidavits of service of Danny Nunes sworn on November 30, 2010 and December 3, 2010, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for the service of the notice of motion, the motion record in respect of this motion and the Monitor's Fifteenth Report be and it is hereby abridged and that this Motion is properly returnable today and service of the notice of motion, motion record and the Monitor's Fifteenth Report is hereby validated in all respects.

DEFINITIONS

2. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Meeting Order shall have the meanings ascribed to them in the Plan, attached as Exhibit "B" to the McMillan Affidavit, as amended and posted on the Monitor's website in accordance with this Order.

THE PLAN

3. **THIS COURT ORDERS** that the Plan be and is hereby accepted for filing with the Court, and that the Applicants are authorized to seek approval of the Plan in the manner set forth herein.
4. **THIS COURT ORDERS** that, subject to the consent of the Plan Sponsor, the Applicants be and are hereby authorized to amend, modify and/or supplement the Plan, in consultation with the Monitor provided that any such amended amendment, modification or supplement:
 - (a) if made prior to the Meeting, is communicated by the Applicants or the Chair (as defined herein) to the Affected Creditors prior to or at the Meeting;

- (b) if made at any time during the Meeting, is communicated by the Applicants or the Chair to those in attendance at the Meeting prior to the vote being taken in respect of the Plan; and
- (c) in all cases, is set out in writing and is filed with the Court and posted on the Monitor's website at www.pwc.com/car-fraserpapers (the "Website") on or before a hearing to sanction the amended Plan.

5. **THIS COURT ORDERS** that, notwithstanding anything in paragraph 4 herein, the Applicants be and are hereby authorized to amend, modify and/or supplement the Plan at any time following the date the Sanction Order, if granted either with Court approval or without obtaining Court approval if each of the Applicants, the Plan Sponsor and the Monitor determine that such amendment, modification and/or supplement is of an administrative nature required to better give effect to the implementation of the Plan and, if applicable, to the Sanction Order and is not adverse or prejudicial to the financial or economic interests of the Affected Creditors. Any such amendments, modifications and/or supplements to the Plan shall be filed with the Court and posted on the Monitor's Website.

CLASSIFICATION OF CREDITORS

6. **THIS COURT ORDERS** that for the purposes of considering and voting on the Plan the Affected Creditors of the Applicants shall constitute a single class of Creditors (the "Unsecured Creditors Class").

NOTICE OF CREDITORS MEETING

7. **THIS COURT ORDERS** that as soon as practicable after the granting of the Meeting Order and, in any event, no later than 5:00 p.m. (Eastern Standard Time (“EST”)) on Wednesday, December 8, 2010, the Monitor shall post electronic copies of the following documents (collectively, the “**Meeting Materials**”) on its Website until 30 days after the Plan Implementation Date and email same to the Service List in this proceeding:

- (a) the Plan (in English and French) with the Schedules to the Plan including the Transaction Agreement and the Trust Agreement (in English only);
- (b) the form of proxy and instruction letter substantially in the form attached hereto as Schedule “A” (the “**Form of Proxy**”) (in English and French);
- (c) the notice of the Meeting and the Plan Sanction Hearing substantially in the form attached hereto as Schedule “B” (the “**Notice to Creditors**”) (in English and French);
- (d) the Notice of Meeting and Information Summary substantially in the form attached hereto as Schedule “C” (the “**Information Summary**”) (in English and French);
- (e) the executive summary of the Plan substantially in the form attached hereto as Schedule “D” (the “**Plan Executive Summary**”) (in English and French);
- (f) the Monitor’s Fifteenth Report (in English only); and
- (g) the Meeting Order (in English only).

8. **THIS COURT ORDERS** that, subject to paragraph 9 of this Order, as soon as practicable after the granting of the Meeting Order and, in any event, no later than 5:00 p.m. (EST) on Wednesday, December 8, 2010, the Monitor shall send to each Affected Creditor by email at the e-mail address listed on the Proof of Claim submitted by such Affected Creditor or such other e-mail address subsequently provided to the Monitor by such Affected Creditor, or where such Affected Creditor is represented by legal counsel (other than on Representative Counsel) in these proceedings, to such Affected Creditor's legal counsel at the e-mail address listed on the Service List:
- (a) the Plan Executive Summary in English and French;
 - (b) the Form of Proxy in English and French;
 - (c) the Notice to Creditors in English and French; and
 - (d) a link to the Monitor's Website to allow such Affected Creditors to access and obtain copies of all other Meeting Materials.
9. **THIS COURT ORDERS** that as soon as practicable after the granting of the Meeting Order and, in any event, no later than 5:00 p.m. (EST) on Friday, December 10, 2010, the Monitor shall send to each Affected Creditor that the Monitor does not have an email address for, or who has advised the Monitor that they wish to receive the Meeting Materials by regular mail, the Meeting Materials by prepaid ordinary mail at the contact address listed on the Proof of Claim submitted by such Affected Creditor or to such other address, if any, as may have been subsequently provided to the Monitor by such Affected Creditor.

10. **THIS COURT ORDERS** that posting of the Meeting Materials on the Monitor's Website in accordance with paragraph 7 herein and the delivery of a copy of the Meeting Materials upon the Affected Creditors in the manner set out in paragraphs 7, 8 and 9 herein shall constitute good and sufficient service of the Meeting Order and the Plan, and good and sufficient notice of the Meeting on all Affected Creditors who may be entitled to receive notice hereof, or of these CCAA Proceedings, or who may wish to be present in person or by proxy at the Meeting, or who may wish to appear in these CCAA proceedings, and no other form of notice or service need be made on such Persons, and no other documents or materials need be served on such Persons in respect of these CCAA proceedings. Service shall be effective, in the case of mailing, five (5) days after the date of mailing and, in the case of service by e-mail, on the day the e-mail was transmitted, unless such day is not a Business Day, or the e-mail transmission was made after 5:00 p.m. (EST), in which case, service shall be effective on the next Business Day.
11. **THIS COURT ORDERS** that the form and substance of the Form of Proxy, the Notice to Creditors, the Information Summary and the Plan Executive Summary are hereby approved. The Applicants are authorized to make such minor changes to the Form of Proxy, the Notice to Creditors, the Information Summary and the Plan Executive Summary as the Applicants and the Monitor deem necessary or desirable.
12. **THIS COURT ORDERS** that the Monitor shall cause the Notice to Creditors to be published on or before December 13, 2010 in each of *The Globe and Mail* (National Edition) and the *Wall Street Journal* (U.S. Edition) and in the following local newspapers: (i) *Telegraph Journal*; (ii) *Bangor Daily News*; (iii) *Berlin Daily Sun*; (iv) *Le*

Droit; (v) St. John Valley Times; (vi) Portland Press Herald; (vii) Le Madawaska; (viii) Daily – Fredericton; and (ix) L'Acadie Nouvelle.

THE MEETING

13. **THIS COURT ORDERS** that the Applicants are hereby authorized to call, hold and conduct the Meeting of the Unsecured Creditor Class for the purpose of considering, and if deemed advisable, passing, with or without variation, a resolution to approve the Plan. The Meeting shall be held at 10:00 a.m. (Eastern Standard Time (“EST”)) on Monday, January 10, 2011 at Hyatt Regency Toronto, 370 King Street West, Toronto, Ontario, M5V 1J9.
14. **THIS COURT ORDERS** that an officer of the Monitor shall preside as the chair of the Meeting (the “Chair”) and, subject to this Meeting Order and any further Order of this Court, shall decide all matters relating to the conduct of the Meeting.
15. **THIS COURT ORDERS** that a person designated by the Monitor shall act as secretary at the Meeting (the “Secretary”) and the Monitor may appoint scrutineers for the supervision and tabulation of the attendance, quorum and votes cast at the Meeting (the “Scrutineers”). The Scrutineers shall tabulate the votes separately in respect of all Proven Voting Claims and Unresolved Claims, if any, at the Meeting.
16. **THIS COURT ORDERS** that the only Persons entitled to attend the Meeting are Affected Creditors with Proven Voting Claims (or their duly appointed proxyholders), Affected Creditors with Unresolved Claims (or their duly appointed proxyholders), representatives of the Monitor, the Applicants, the Plan Sponsor, Representative Counsel,

all such parties' financial and legal advisors, the Secretary and the Scrutineers. Any other Person may be admitted to the Meeting only by invitation of the Chair.

17. **THIS COURT ORDERS** that the quorum required at the Meeting shall be one Affected Creditor with a Proven Voting Claim present at the Meeting in person or by proxy. If the requisite quorum is not present at the Meeting, then the Meeting shall be adjourned by the Chair to such time and place as the Chair deems necessary or desirable.
18. **THIS COURT ORDERS** that the Chair be and is hereby authorized to adjourn the Meeting on one or more occasions to such time(s), date(s) and places(s) as the Chair deems necessary or desirable (without the need to first convene the Meeting for the purpose of any adjournment).
19. **THIS COURT ORDERS** that the Chair be and is hereby authorized to direct a vote at the Meeting, by written ballot or by such other means as the Chair may consider appropriate, with respect to: (i) a resolution to approve the Plan and any amendments thereto; and (ii) any other resolutions as the Applicants or the Monitor may consider appropriate.
20. **THIS COURT ORDERS** that the Chair be and is hereby authorized to accept and rely upon duly completed proxies substantially in the form of the Form of Proxy or such other form as is acceptable to the Chair (each a "**Proxy**" and collectively the "**Proxies**").
21. **THIS COURT ORDERS** that any Affected Creditor who is entitled to vote at the Meeting may appoint a proxyholder to attend, act and vote for and on behalf of such Affected Creditor at the meeting by completing, dating and duly executing a Proxy and

delivering it to the Monitor by mail, delivery, courier, facsimile or email at the address set out in paragraph 43 herein. Proxies must be received by the Monitor by no later than 2:00 p.m. (EST) on Friday, January 7, 2011, or 48 hours (excluding Saturdays, Sundays and holidays) before the time of any recommencement of a Meeting that has been adjourned, or presented to the Monitor at the Meeting or at the recommencement of a Meeting that has been adjourned.

22. **THIS COURT ORDERS** that the following shall govern the submission and revocation of Proxies and any deficiencies in respect of the form or substance of Proxies:

- (a) an Affected Creditor who has given a Proxy may revoke such Proxy (as to any matter on which a vote has not already been cast pursuant to its authority), unless such Affected Creditor has agreed otherwise, by an instrument in writing executed by such Affected Creditor or by its attorney, duly authorized in writing or, if such Affected Creditor is not an individual, by an officer or attorney thereof duly authorized, and delivering it to the Monitor by mail, delivery, courier, facsimile or email at the address set out in paragraph 43 herein by 2:00 p.m. (EST) on Friday, January 7, 2011, or 48 hours (excluding Saturday, Sundays and holidays) before the time of any recommencement of a Meeting that has been adjourned, or presented to the Monitor at the Meeting or at the recommencement of a Meeting that has been adjourned;
- (b) if no name has been inserted in the space provided to designate the proxyholder on the Proxy, the applicable Affected Creditor shall be deemed to have appointed an officer of the Monitor as its proxyholder;

- (c) a duly appointed proxyholder shall vote as directed in the Proxy on any ballot that may be called for, provided that a Proxy confers discretionary authority on the proxyholder with respect to voting on amendments, modifications or supplements to the Plan or with respect to any other matters that may come before the Meeting;
- (d) if an officer of the Monitor is appointed or is deemed to be appointed as proxyholder and the applicable Affected Creditor fails to indicate on its Proxy whether to vote for or against approval of the Plan or to abstain from voting on the Plan, the Proxy shall be voted FOR approval of the Plan and any amendments thereto;
- (e) if the Proxy is not dated in the space provided, it shall be deemed to be dated on the date it is received by the Monitor;
- (f) a Proxy that bears or is deemed to bear a later date than an earlier Proxy submitted by the same Affected Creditor shall govern and shall be deemed to revoke the earlier Proxy; and
- (g) if the Monitor received more than one valid Proxy for the same Affected Creditor with conflicting instructions and the conflicting Proxies bear or are deemed to bear the same date, such Proxies shall be treated as disputed Proxies and shall not be counted for the purposes of the vote.

23. **THIS COURT ORDERS** that only Affected Creditors with Proven Voting Claims (or their duly appointed proxyholders) and, expressly subject to paragraph 27 herein, Affected Creditors with Unresolved Claims (or their duly appointed proxyholders) are entitled to vote at the Meeting.

24. **THIS COURT ORDERS** that each Affected Creditor with a Proven Voting Claim is entitled to one (1) vote, which vote shall have the value of such Affected Creditor's Claim as determined in accordance with the Claims Order. For greater certainty, an Affected Creditor having a Proven Voting Claim against one or more Applicant shall only be entitled to one (1) vote in respect of such Proven Voting Claim at the Meeting in the aggregate dollar value of such Proven Voting Claim.
25. **THIS COURT ORDERS** that any Proven Voting Claims in respect of (i) a funding deficiency and related amounts in connection with a defined benefit pension plan; or (ii) amounts owing to a current or former employee who is or was governed by the terms of a collective agreement with one of the Applicants shall, in each case, only be counted as one (1) vote in respect of such Proven Voting Claim in the aggregate dollar value of such Proven Voting Claim and shall be entitled to distributions provided for under the Plan as one (1) Affected Claim upon such Proven Voting Claim becoming a Proven Distribution Claim.
26. **THIS COURT ORDERS** that each Person that has filed a Proof of Claim in respect of a Duplicate Claim (as defined in the McMillan Affidavit) shall be entitled to vote such Affected Claim as a Proven Voting Claim at the Meeting provided however that the votes cast in respect of such Proven Voting Claim shall only be counted by the Monitor in the event that the votes in respect of such Duplicate Claim are not contradictory. The Proven Voting Claims for a Duplicate Claim shall be counted collectively as one (1) vote in number at the Meeting, which vote shall have the dollar value: (i) as filed by the pension plan administrator and agreed to by the Applicants and the Monitor for Duplicate Claims in respect of a funding deficiency and related amounts in connection with a defined

benefit pension plan; and (ii) as filed by the Davies Group and agreed to by the Applicants and the Monitor in respect of amounts owing to a current or former employee.

27. **THIS COURT ORDERS** that, notwithstanding anything to the contrary herein, each Affected Creditor holding an Unresolved Claim as at the date of the Meeting may attend the Meeting (in person or by Proxy) and shall be entitled to one vote at the Meeting which vote shall have the dollar value as determined by the Applicants and the Monitor. The Monitor shall tabulate the votes in respect of Unresolved Claims separately as provided herein and such votes shall not be counted for any purpose unless, until and only to the extent that such Unresolved Claim is ultimately determined to be a Proven Voting Claim.
28. **THIS COURT ORDERS** that in the event that any Affected Creditor holds a Claim that is a Proven Voting Claim but not a Proven Distribution Claim as at the date of the Meeting, such Claim shall be treated as a Proven Voting Claim for purposes of voting at the Meeting and such Affected Creditor (or its duly appointed proxyholder) shall be permitted to vote at the Meeting only as the holder of a Proven Voting Claim and not as the holder of an Unresolved Claim in respect of such Claim.
29. **THIS COURT ORDERS** that, for the greater certainty, and without limiting the generality of anything in this Meeting Order, Persons holding Unaffected Claims are not entitled to vote on the Plan and shall not be entitled to receive any distribution from the Aggregate Implementation Payment Amount or from the Distribution Pool in respect of such Unaffected Claims.

30. **THIS COURT ORDERS** that the Monitor shall keep a separate tabulation of votes cast in respect of:
- (a) Proven Voting Claims; and
 - (b) Unresolved Claims, if any.
31. **THIS COURT ORDERS** that following the vote(s) at the Meeting, the Scrutineers shall tabulate the vote(s) and the Monitor shall determine whether the Plan has been accepted by the Required Majority of the Unsecured Creditors Class.
32. **THIS COURT ORDERS** that the Monitor shall file a report with this Court by no later than noon (EST) on January 11, 2011, or within two Business Days after the Meeting if it's adjourned to a later date, with respect to the results of the vote, including whether:
- (a) the Plan has been accepted by the Required Majority of the Unsecured Creditors Class; and
 - (b) whether the votes cast in respect of Unresolved Claims, if any, would affect the approval or non-approval of the Plan.
33. **THIS COURT ORDERS** that the Applicants and the Monitor shall have the right to seek the assistance of this Court in valuing any Unresolved Claims that may affect the approval or non-approval of the Plan by the vote in respect of such Unresolved Claims.

TREATMENT OF CREDITORS

34. **THIS COURT ORDERS** that the results of the vote conducted at the Meeting (for greater certainty, excluding the effect of any votes by number and/or value cast in respect

of any portion of an Unresolved Claim that is subsequently determined to be without merit or to have a lesser value for voting purposes in accordance with the Claims Order and this Meeting Order) shall be binding on all Affected Creditors, including any Affected Creditor that was entitled to vote but did not attend and/or vote at the Meeting in person or by proxy.

35. **THIS COURT ORDERS** that no distribution shall be made under the Plan in respect of any Affected Claim unless, until and to the extent that such Affected Claim is or becomes a Proven Distribution Claim. The Monitor shall hold distributions in respect of each Unresolved Claim, if any, in reserve pending resolution of such Unresolved Claim in accordance with the terms of the Plan.

36. **THIS COURT ORDERS** that if an Affected Creditor transfers its Claim pursuant to paragraph 40 of the Claims Order:

- (a) neither the Applicants nor the Monitor shall be obligated to deal with or to recognize the transferee or assignee of the Claim as the Affected Creditor in respect thereof unless and until written notice of the transfer or assignment is provided to the Monitor, such notice to be in form and substance satisfactory to the Monitor, acting reasonably at least five (5) Business Days prior to the Plan Implementation Date;
- (b) for the purposes of determining whether the Plan has been approved by a majority in number of the Unsecured Creditors Class: (A) only the vote of the transferor or the transferee, whichever holds the highest dollar value of the applicable Proven Voting Claims (in the event only a part of such Claim was transferred or assigned)

will be counted, and, if such value shall be equal, only the vote of the transferee will be counted; and (B) if a Proven Voting Claim has been transferred to more than one transferee, for purposes of determining whether the Plan has been approved by a majority in number of the Unsecured Creditors Class, only the vote of the transferee with the highest value of such Claim will be counted; and

- (c) only holders of record, as at five (5) Business Days prior to the Plan Implementation Date, of Proven Distribution Claims or Unresolved Claims that are ultimately determined to be Proven Distribution Claims shall have the right to participate in the distributions provided for under the Plan.

PLAN SANCTION HEARING AND SANCTION ORDER

- 37. **THIS COURT ORDERS** that if the Plan has been accepted by the Required Majority set out in the CCAA, the Applicants shall bring a motion seeking the Sanction Order on Wednesday, January 12, 2011, at 10:00 a.m. (EST) or as soon thereafter as the matter can be heard (the “**Plan Sanction Hearing**”).
- 38. **THIS COURT ORDERS** that service and publication of the Notice to Creditors as provided herein and the posting of this Meeting Order on the Monitor’s Website pursuant to paragraph 7 herein shall constitute good and sufficient service of notice of the Plan Sanction Hearing upon all Persons who may be entitled to receive such service and no other form of service or notice need be made on such Persons and no other materials need be served on such Persons in respect of the Plan Sanction Hearing unless they have served and filed a Notice of Appearance in these CCAA Proceedings.

39. **THIS COURT ORDERS** that any Person (other than Persons on the Service List) wishing to receive materials and appear at the Plan Sanction Hearing shall serve upon the lawyers for each of the Applicants, the Monitor and the Plan Sponsor and file with this Court a Notice of Appearance by no later than 5:00 p.m. (EST) on Monday, January 10, 2011, or, if the Plan Sanction Hearing is delayed, by no later than 5:00 p.m. (EST) on the date that is five (5) Business Days' prior to the Plan Sanction Hearing.
40. **THIS COURT ORDERS** that any Person who wishes to oppose the motion for the Sanction Order shall serve upon the lawyers for each of the Applicants, the Monitor and the Plan Sponsor, and upon all other parties on the Service List, and file with this Court a copy of the materials to be used to oppose the motion for the Sanction Order by no later than 2:00 p.m. (EST) on Tuesday, January 11, 2011, or if the Plan Sanction Hearing is delayed, by no later than 5:00 p.m. (EST) on the date that is five (5) Business Days' prior to the Plan Sanction Hearing.
41. **THIS COURT ORDERS** that if the Plan Sanction Hearing is adjourned, only those Persons who are listed on the Service List (including those Persons who have complied with paragraph 39 of this Meeting Order) shall be served with notice of the adjourned date of the Plan Sanction Hearing.

GENERAL

42. **THIS COURT ORDERS** that the Applicants and the Monitor may, in their discretion, generally or in individual circumstances, waive in writing the time limits imposed on any Affected Creditor under this Meeting Order if the Applicants and the Monitor deem it

advisable to do so, without prejudice to the requirement that all other Affected Creditors must comply with the terms of this Meeting Order.

43. **THIS COURT ORDERS** that any notice or other communication to be given pursuant to this Meeting Order by or on behalf of any Person to the Monitor shall be in writing and will be sufficiently given only if by mail, courier, e-mail, fax or hand-delivery addressed to:

PricewaterhouseCoopers Inc.
Monitor of Fraser Papers Inc.
77 King Street West, P.O. Box 82, Suite 3000
Royal Trust Tower, TD Centre,
Toronto, Ontario M5K 1G8

Attention: Tracey Weaver
Telephone: 1.877.332.1688
Fax: (416) 814-3219
Email: FPclaims@ca.pwc.com

44. **THIS COURT ORDERS** that if any deadline set out in this Meeting Order falls on a day other than a Business Day, the deadline shall be extended to the next Business Day.
45. **THIS COURT ORDERS** that, notwithstanding the terms of this Meeting Order, the Applicants may apply to this Court from time to time for such further Order or Orders as they consider necessary or desirable to amend, modify, supplement or replace this Meeting Order.

RESTRUCTURING CLAIMS BAR DATE EXTENDED

46. **THIS COURT ORDERS** that the Restructuring Claims Bar Date defined in the Claims Order be and is hereby extended to 5:00 p.m. (EST) on the date which is the earlier of: (i)

thirty (30) calendar days after the event giving rise to the Restructuring Claim; or (ii) fourteen (14) calendar days after the Plan Implementation Date.

EFFECT, RECOGNITION AND ASSISTANCE

47. **THIS COURT ORDERS** that the Applicants and the Monitor may, from time to time, apply to this Court for advice and directions concerning the discharge of their respective powers and duties under this Meeting Order or the interpretation or application of this Meeting Order.
48. **THIS COURT ORDERS** that this Meeting Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may be enforceable.
49. **THIS COURT ORDERS AND REQUESTS** the aid, recognition and assistance of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States of America and the states or other subdivisions of the United States of America, including the U.S. Court presiding over the Chapter 15 Proceedings, and of any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Meeting Order. Each of the Applicants and the Monitor shall be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other courts and judicial, regulatory and

administrative bodies, and take such other steps, in Canada or in the United States of America, as may be necessary or advisable to give effect to this Meeting Order and any other Order granted by this Court.

Styepall, J.

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

DEC 03 2010

PER / PAR:

MB

SCHEDULE "A"

FORM OF PROXY FOR THE MEETING OF CREDITORS

SCHEDULE "A"

**FRASER PAPERS INC./PAPIERS FRASER INC., FPS CANADA INC.,
FRASER PAPERS HOLDINGS INC., FRASER TIMBER LIMITED,
FRASER PAPERS LIMITED and FRASER N.H. LLC (the "Applicants")**

**FORM OF PROXY FOR THE
MEETING OF AFFECTED CREDITORS (the "Meeting")**

**to be held pursuant to an Order of the Ontario Superior Court of Justice
(Commercial List) made December 3, 2010 (the "Meeting Order"), in connection with
the Applicants' Consolidated Plan of Compromise and Arrangement under the
Companies' Creditors Arrangement Act (the "Plan")**

**on January 11, 2011 at 10:00 a.m. (EST) at the Hyatt Regency Toronto,
370 King Street West, Toronto, Ontario, M5V 1J9**

Before completing this form of proxy (the "**Proxy**"), please read carefully the accompanying instructions for information respecting the proper completion and return of this Proxy. THIS PROXY MUST BE COMPLETED, SIGNED AND PROVIDED TO PRICEWATERHOUSECOOPERS INC. (the "**Monitor**") PRIOR TO THE MEETING IF ANY PERSON ON BEHALF OF THE UNDERSIGNED AFFECTED CREDITOR (the "**Affected Creditor**") IS TO ATTEND THE MEETING AND VOTE ON THE PLAN OR IF THE AFFECTED CREDITOR WISHES TO APPOINT AN OFFICER OF THE MONITOR TO ACT AS THE AFFECTED CREDITOR'S PROXY.

The Affected Creditor, as the holder of a Proven Voting Claim and/or an Unresolved Claim that may be voted and tabulated separately at the Meeting in accordance with the Meeting Order, hereby revokes all proxies previously given and nominates, constitutes and appoints _____ or, instead of the foregoing, Mr. John McKenna of the Monitor, or such other person as Mr. John McKenna may designate, as proxyholder, with full power of substitution, to attend, vote and otherwise act for and on behalf of the Affected Creditor at the Meeting and any adjournments(s) thereof. Without limiting the generality of the power hereby conferred, the persons named as proxyholders are specifically directed to vote as follows:

1. (Mark one only)

☐ **VOTE FOR** approval of the Plan; or

☐ **VOTE AGAINST** approval of the Plan;

2. Vote at the proxyholder's discretion and otherwise act for and on behalf of the undersigned Affected Creditor with respect to any amendments or variations to the Plan and to any other matters that may come before the Meeting or any adjournment thereof.

Dated this _____ day of _____, 201____

Name of the Affected Creditor (Please Print)

Signature of Witness

Signature of the Affected Creditor or attorney authorized in writing or, if the Affected Creditor is a corporation, signature of a duly authorized signing officer of the corporation

Title of the authorized signing officer of the Affected Creditor

Mailing address and telephone number of the Affected Creditor

INSTRUCTIONS FOR COMPLETION OF THE PROXY

1. Each Affected Creditor who has a right to vote at the Meeting has the right to appoint a person to attend, act and vote for and on behalf of the Affected Creditor and such right may be exercised by inserting in the space provided the name of the person to be appointed. If no name has been inserted in the space provided, the Affected Creditor will be deemed to have appointed Mr. John McKenna of the Monitor as the Affected Creditor's proxyholder.
2. If this Proxy is not dated in the space provided, it shall be deemed to be dated on the date it is received by the Monitor.
3. If an officer of the Monitor is appointed or is deemed to be appointed as proxyholder and the Affected Creditor fails to indicate on the Proxy whether it wishes to vote for or against approval of the Plan, the Affected Creditor will be deemed to have instructed its proxyholder to vote FOR approval of the Plan, including any amendments thereto.
4. If more than one valid Proxy for the same Affected Creditor is received, the Proxy bearing the later date shall govern and the earlier-dated Proxy shall be revoked. If more than one valid Proxy for the same Affected Creditor and bearing or deemed to bear the same date are received with conflicting instructions, such Proxies will be treated as disputed Proxies and shall not be voted.
5. This Proxy must be signed by the Affected Creditor or by a person duly authorized (by power of attorney) to sign on the Affected Creditor's behalf or, if the Creditor is a corporation, by a duly authorized officer or attorney of the corporation.
6. In order to appoint the Monitor as your proxy, this Proxy, once completed, dated and signed, should be sent in advance to the Monitor, by mail, delivery, courier, facsimile or email at the address set out below and must be received by the Monitor by no later than 2:00 p.m. (Eastern Standard Time ("EST")) on January 7, 2011, or 48 hours (excluding Saturdays, Sundays and holidays) before the time of any recommencement of a Meeting that has been adjourned, or presented to the Monitor at the Meeting or at the recommencement of a Meeting that has been adjourned.
7. If you wish to appoint any person other than the Monitor as your proxy, you may either send the proxy to the Monitor at the address listed below before January 7, 2011, at 2:00 p.m. (EST), or 48 hours (excluding Saturdays, Sundays and holidays) before the time of any recommencement of a Meeting that has, been adjourned, or present the Proxy to the Monitor at the Meeting or at the recommencement of a Meeting that has been adjourned.

Address of the Monitor: **PricewaterhouseCoopers Inc.**
Monitor of Fraser Papers Inc.
77 King Street West, P.O. Box 82, Suite 3000
Toronto, ON M5K 1G8
Attention: Ms. Tracey Weaver
Facsimile: (416) 814-3219
Email: FPclaims@ca.pwc.com

SCHEDULE "B"

NOTICE OF MEETING OF CREDITORS OF THE APPLICANTS

SCHEDULE "B"

FRASER PAPERS INC./PAPIERS FRASER INC., FPS CANADA INC.,
FRASER PAPERS HOLDINGS INC., FRASER TIMBER LIMITED,
FRASER PAPERS LIMITED and FRASER N.H. LLC (the "Applicants")

NOTICE OF MEETING OF CREDITORS OF THE APPLICANTS

NOTICE IS HEREBY GIVEN that a meeting (the "**Meeting**") of creditors of the Applicants entitled to vote on a consolidated plan of arrangement (the "**Plan**") proposed by the Applicants under the *Companies' Creditors Arrangement Act* (the "**CCAA**") will be held at the Hyatt Regency Toronto, 370 King Street West, Toronto, Ontario, on **January 10, 2011, at 10:00 a.m. (EST)** for the following purposes:

- (1) to consider and, if deemed advisable, to pass, with or without variation, a resolution to approve the Plan; and
- (2) to transact such other business as may properly come before the Meeting or any adjournment thereof.

The Plan is being considered pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated December 3, 2010 (the "**Meeting Order**"). Following approval by the required majorities of the creditors entitled to vote and voting on the Plan, the Plan must also be approved by an Order of the Court (the "**Sanction Order**").

Creditors who are not attending the Meeting in person and who wish to vote on the Plan, or who wish to designate another party to attend the Meeting and vote on their behalf, are required to date, sign and return the applicable form of proxy (a "**Proxy**") by mail, delivery, courier, facsimile or email so that it is received by PricewaterhouseCoopers Inc. (the "**Monitor**") by no later than **2:00 p.m. (EST) on January 7, 2011, or 48 hours (excluding Saturdays, Sundays and holidays) before the time of any recommencement of a Meeting that has been adjourned, or to present the Proxy to the Monitor at the Meeting.** Creditors may designate the Monitor to vote their claims at the Meeting as per their respective Proxies. A Proxy will not be valid and will not be acted upon, voted or recorded unless it is completed as specified in the form of proxy enclosed herewith and the related instructions.

The Monitor's address for the purpose of filing forms of proxy and for obtaining any additional information or materials related to the Meeting is:

PricewaterhouseCoopers Inc.
Monitor Fraser Papers Inc.
77 King Street West
P.O. Box 82, Suite 3000

Royal Trust Tower, TD Centre,
Toronto, Ontario M5K 1G8

Attention: Ms. Tracey Weaver
Facsimile: (416) 814-3219
Email: FPclaims@ca.pwc.com

Creditors requiring information or copies of the Plan, the Meeting Order, the Monitor's Report in respect of the Plan, a proxy form with respect to the Meeting or additional documentation pertaining to the within CCAA proceedings may obtain copies of such documents on the Monitor's website at www.pwc.com/car-fraserpaper or by contacting the Monitor at the address above.

DATED at Toronto, Ontario, this day of December, 2010.

NOTICE OF SANCTION HEARING

If the creditors approve the Plan, the application for the Sanction Order will be heard on **January 12, 2011 at 10:00 am. (EST)** or such other date as may be set by the Court, before the Ontario Superior Court of Justice (Commercial List), 330 University Avenue, Toronto, Ontario.

Pursuant to the Meeting Order, no other form of notice need be made to any creditor and no other materials need be served on any creditor in respect of the Sanction Hearing unless such creditor has served and filed a Notice of Appearance in these proceedings.

SCHEDULE "C"

NOTICE OF MEETING AND INFORMATION SUMMARY

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NOTICE OF MEETING AND INFORMATION SUMMARY
WITH RESPECT TO A PLAN OF COMPROMISE OR ARRANGEMENT
PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT

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

This Information Summary is being distributed to creditors of Fraser Papers Inc./Papiers Fraser Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited and Fraser N.H. LLC (collectively, the "Applicants") in respect of a meeting called to consider the plan of compromise or arrangement proposed by the Applicants that is scheduled to be held on January 10, 2011, at 10:00 a.m. Eastern Standard Time ("EST") at Hyatt Regency Toronto, 370 King Street West, Toronto, Ontario, M5V 1J9 in the Regency A Room.

These materials require your immediate attention. You should consult your professional advisors in connection with the contents of these documents. If you have any questions regarding voting procedures or other matters or if you wish to obtain additional copies of these materials, you may contact Ms. Tracey Weaver of the Monitor at 1-877-332-1688. Copies of these materials and other materials in these proceedings are also posted on the Monitor's website at: www.pwc.com/car-fraserpapers.

INFORMATION SUMMARY

SUMMARY OF PLAN

The following is a brief synopsis of certain information contained elsewhere in this Information Summary (the "Information Summary"), including the schedules hereto (collectively, the "Schedules"), and is provided for the assistance of creditors only. The governing document is the Plan, which is attached as Schedule "B" to this Information Summary. This synopsis is qualified in its entirety by the more detailed information appearing or referred to elsewhere in the Information Summary, including the Schedules. Creditors should carefully read the Plan, and not only this Information Summary. In the event of any conflict between the contents of this Information Summary and the provisions of the Plan, the provisions of the Plan govern.

Capitalized words and terms not otherwise defined in this Information Summary have the meaning given to those words and terms in the Plan. All references to currency or "\$" are references to U.S. currency, unless otherwise noted.

Background of Fraser Companies

Fraser Papers Inc. ("**Fraser Papers**" or the "**Company**") has been in operation since the late 1800's and employed approximately 2,400 people in the U.S. and Canada as at December 31, 2008. On July 1, 2004, Fraser Papers became a separate publicly traded company and its stock was listed on the Toronto Stock Exchange.

As at December 31, 2008 Brookfield Asset Management Inc. ("**Plan Sponsor**") owned, directly or indirectly, approximately 70.5% of the outstanding common shares of Fraser Papers. Each of the other Applicants are direct or indirect wholly-owned subsidiaries of Fraser Papers.

Fraser Papers owns all of the issued and outstanding shares of FPS Canada Inc. ("**FPS Canada**") and Fraser Papers Holdings Inc. ("**Holdings**"). Holdings owns all of the issued and outstanding shares of Fraser Timber Limited ("**Timber**") and Fraser Papers Limited ("**Fraser Madawaska**"). Fraser Madawaska is the sole member and manager of Fraser N.H. LLC, a limited liability corporation ("**Fraser Gorham**").

At the time of filing for protection under the CCAA, the principal operating assets of Fraser Papers comprised:

- (i) a sulphite pulp mill, a groundwood pulp mill and a biomass cogeneration power plant (the "**CoGen Facility**") in Edmundston, New Brunswick (the "**Edmundston Mill**");
- (ii) a hardwood pulp mill in Thurso, Quebec (the

"Thurso Mill");

- (iii) two lumber mills in Juniper and Plaster Rock, New Brunswick (the **"New Brunswick Lumber Mills"**); and
- (iv) a corporate office in Toronto, Ontario

Holdings held the Applicants' investments in Fraser Madawaska and Timber, which are the Applicants' operating entities in the U.S.

Timber owns and manages the Company's two lumber mills in Masardis and Ashland, Maine (the **"Maine Mills"**).

Among other things, Fraser Madawaska owned and managed the Company's paper operations in Madawaska, Maine (the **"Madawaska Mill"**) and is the sole member of Fraser Gorham.

Fraser Gorham owns a paper mill in Gorham, New Hampshire (the **"Gorham Mill"**). The Applicants expect that this paper mill will be sold to a third party purchaser by no later than December 8, 2010 (as described below), failing which (unless sold to another party) it will be included in the transaction described below under the heading Transaction Agreement.

The principal products manufactured by the Applicants were paper, pulp and lumber. The Company's operations were highly integrated. The Maine Mills and the New Brunswick Lumber Mills would manufacture lumber products and would provide by-product wood chips to the Edmundston Mill for the manufacture of pulp. The Thurso Mill would provide hardwood kraft pulp to the Madawaska Mill and the Gorham Mill for the manufacture of paper products. The Edmundston Mill would provide pulp products, hydro-electric power and steam to the Madawaska Mill for the manufacture of paper.

Prior to filing for protection under the CCAA and Chapter 15 of the U.S. Bankruptcy Code, the Applicants experienced many of the same challenges faced by other companies in the North American forest products industry. The market issues and financial issues faced by the Applicants included significant negative cash flows from their operations driven by a sharp deterioration of the profitability of the Applicants' pulp operations and continuing losses from their lumber operations. The Applicants were required to repay or refinance significant liabilities and had no ability to do so. The Applicants also had significant financial obligations to employees and beneficiaries

under the pension plans sponsored by the Applicants and had no ability to meet these funding obligations.

**Insolvency
Proceedings and Sale
Transactions:**

On June 18, 2009, the Applicants sought and obtained the Initial Order pursuant to the CCAA. Concurrently with the commencement of the CCAA proceedings, the Applicants commenced proceedings pursuant to Chapter 15 of the U.S. Bankruptcy Code in which the CCAA proceedings were recognized as a foreign main proceeding (collectively, the "**Proceeding**").

During the Proceeding, the Applicants sold substantially all of their assets pursuant to Court approved sale transactions. Any residual assets are expected to be sold subject to the Court's approval in connection with Plan Implementation as discussed below. Summary details of the sale transactions are provided herein. Reference should be made to the materials previously filed with the Court in the Proceeding for further details of any of the sale transactions. Those materials can be accessed through the Monitor's website at: www.pwc.com/car-fraserpapers

The Applicants' completed the sale of their specialty papers business (the "**Specialty Papers Business**") to Twin Rivers Paper Company Inc. ("**Twin Rivers**") and Twin Rivers Paper Company LLC ("**Twin Rivers LLC**") on April 28, 2010 (the "**Twin Rivers APA**"). The Specialty Papers Business comprised the Edmundston Mill, the Madawaska Mill and the New Brunswick Lumber Mills. The sale of the Specialty Papers Business was fully supported by the secured creditors of the Applicants who agreed to release their secured claims in exchange for consideration received from Twin Rivers. Specifically:

- CIBC received payment in full of its \$25 million loan
- CIT received repayment of \$10 million of its secured indebtedness, which ultimately was repaid in full
- BAM agreed to replace a portion of its secured claim in the amount of \$25 million in exchange for a 51% common equity interest in Twin Rivers
- The Government of New Brunswick agreed to release its claim of CAD\$38.6 million in exchange for a preferred equity interest in Twin Rivers

As consideration for the Specialty Papers Business, the Applicants received:

- cash of \$35 million (which was used to repay secured debt

issued by the Applicants);

- CAD\$38.6 million in preferred shares of Twin Rivers (which were provided to the Government of New Brunswick in full satisfaction of their secured claim);
- Approximately \$44 million in unsecured promissory notes;
- A 49% common equity interest in Twin Rivers;
- The assumption by Twin Rivers of liabilities totalling \$46 million and letters of credit totalling approximately \$35 million; and
- Payments totalling CDN\$6.125 million to be made by Twin Rivers over an eight-year period.

With the Monitor's assistance and the Court's approval, the Applicants' entered into an asset purchase agreement (the "**Thurso Purchase Agreement**") with Fortress Specialty Cellulose Inc. ("**Fortress**") under which the Applicants sold the Thurso Mill. Pursuant to the Thurso Purchase Agreement, on the closing of the transaction the Applicants received CAD\$3,000,000 in Cash. Fortress also assumed significant liabilities relating to the assets purchased pursuant to the Thurso Purchase Agreement.

With the Monitor's assistance and the Court's approval, the Applicants have executed an asset purchase agreement (the "**Gorham Purchase Agreement**") with Counsel RB Capital ("**Counsel RB**") for the sale of the Gorham Mill. Pursuant to the terms of the Gorham Purchase Agreement, the Applicants are expected to receive approximately \$2.695 million in Cash. Counsel RB will also assume certain liabilities with respect to the assets purchased under the terms of the Gorham Purchase Agreement. This transaction is scheduled to close on December 8, 2010.

Following the sale of the Gorham Mill, the Applicants' only remaining operating assets are the Maine Mills. With the Monitor's assistance and the Court's approval, the Applicants actively marketed the Maine Mills to prospective purchasers. The Maine Mills will be sold to the Plan Sponsor under the Transaction Agreement as part of the implementation of the Plan. In addition, in the event that the Gorham Purchase Agreement is not completed or the Gorham Mill is not otherwise sold under any other transaction, the Gorham Mill will be purchased under the Transaction Agreement.

The Cash received by the Applicants from the sale transactions has been used during the Proceeding to repay secured creditors, to pay amounts owing to the DIP Lender under the DIP Facility, to pay the costs of the proceedings and to fund operating losses. The Distribution Pool to be ultimately distributed under the Plan is comprised of certain proceeds from the Twin Rivers APA, namely the Common Shares and Promissory Notes, and any Cash that may be available following repayment in full to the DIP Lender of all amounts owing under the DIP Facility and any expenses covered by the Administration Charge. This would include reimbursement by the Plan Sponsor of the cash collateral securing the face amount of certain outstanding letters of credit, upon a reduction in the amount of the letters of credit.

Claims Process:

On July 15, 2009, the Court granted the Claims Order, which established the process for the calling of all Claims and a process for the resolution of Claims.

A notice to creditors of the call for claims and the Claims Bar Date was published on or before August 12, 2009 in *The Globe and Mail* and in *The Wall Street Journal* and the following local newspapers: (a) *Telegraph Journal*; (b) *Bangor Daily News*; (c) *Berlin Daily Sun*; and (d) *Le Droit*. The Monitor also sent proof of claim packages to all known creditors of the Applicants on August 7, 2009 in accordance with the procedures established in the Claims Order.

The claims resolution process set out in the Claims Order provided for, among other things: (a) a process for the review of Proofs of Claim filed with the Monitor; (b) a process for the acceptance, revision or dispute, in whole or in part, by the Monitor, of Claims for the purposes of voting and/or distribution under the Plan; and (c) an appeal process from the determination of the Monitor.

Purpose of the Plan:

The purpose of the Plan is to effect the Transaction Agreement, to settle Affected Claims and to achieve 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 the Plan also 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, which will be delivered to one of the Trusts that have been or will be established on the Plan Implementation Date. The purpose of the Trusts is to hold, administer and (subject to the terms of the Common Shares and the Promissory Notes comprising the Distribution Pool) realize upon the allocated assets held by each trust, to facilitate a future distribution of

Cash to the Affected Creditors with Proven Distribution Claims as 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, than would result in any alternative scenario.

Additionally, in consideration for the releases contained in the Plan and as a further benefit for Affected Creditors, the holders of Inter-Company Claims will waive and release all Inter-Company Claims.

Consolidated Plan: The Plan is being presented by the Applicants to the Affected Creditors on a consolidated basis for the sole purpose of permitting Affected Creditors with Proven Voting Claims to vote on the Plan and Affected Creditors with Proven Distribution Claims to receive distributions under the Plan. On November 3, 2010, the Canadian and US Courts issued an Order authorizing and directing the Applicants to prepare a Plan on a consolidated basis.

Class of Affected Creditors: The Plan provides for a single Class of Affected Creditors, the Unsecured Creditor Class.

Unaffected Claims: Subject to the terms of the Transaction Agreement, the following claims are unaffected by the Plan: (a) Claims secured by the CCAA Charges other than the Inter-Company Claim; (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.

Incorporation of the Transaction Agreement Pursuant to Article V of the Plan, the terms of the Transaction Agreement are incorporated into the Plan.

Implementation Payment to Creditors: On the Implementation Payment Date, subject to the Applicants having the Aggregate Implementation Payment Amount after repaying the Prior Repayments, a payment will be made by the Applicants to each Affected Creditor with a Proven Distribution Claim in the amount of the lesser of: (i) the full amount of the Affected Creditor's Proven Distribution Claim; 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 will 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 will not be required to incur the cost to make such distribution.

The Implementation Payment to Affected Creditors with Proven Distribution Claims will be made by prepaid ordinary mail by the Monitor as set out in the Plan.

To the extent that the Applicants or the Monitor on behalf of the Applicants have a legal obligation to withhold amounts from any Implementation Payment to employees of the Applicants, the Applicants and the Monitor will, in accordance with such legal obligation, withhold such amounts from the Implementation Payment in question, and remit same to the applicable parties.

A Creditor having an Unresolved Claim will not be entitled to receive any Implementation Payment under the Plan unless and until such Unresolved Claim becomes a Proven Distribution Claim in accordance with the Claims Order.

On the Final Determination Date, the Monitor will make a distribution from the Reserve on behalf of the Applicants in respect of any Unresolved Claims that become Proven Distribution Claims.

**Allocation and
Delivery of
Distribution Pool**

On the Plan Implementation Date, the Monitor will, after establishing a Reserve, allocate to each Affected Creditor in the Unsecured Creditor Class with a Proven Distribution Claim (net of any Implementation Payment received), 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, will deliver the allocated assets from the Distribution Pool in respect of the Affected Creditors with Proven Distribution Claims 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.

Any Creditor having an Unresolved Claim will not be entitled to receive an allocation, delivery or distribution under the Plan unless and until such Unresolved Claim becomes a Proven Distribution Claim in accordance with the Claims Order.

On the Final Determination Date, the Monitor will (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, (ii) pay the Implementation Payment, if any, to such Affected Creditor, and (iii) remit any remaining Cash in the Reserve to the Creditor Trust.

Transaction Agreement with Plan Sponsor

The Applicants and the Plan Sponsor executed the Transaction Agreement, which involves the sale of the shares of Holdings and the opportunity for a continuation of operations at the Maine Mills. The Plan is to be implemented, and all Court orders and other actions relating to the Plan are to be made or taken, in conjunction with the implementation of the transactions contemplated by the Transaction Agreement. The Plan is 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.

The Transaction Agreement contemplates that the shares of Holdings will be sold to the Plan Sponsor or its designate, which includes the ownership of the companies that own the Maine Mills. The Maine Mills will be sold as a going concern resulting in the opportunity for continued employment and the opportunity for the continuing supply of goods and services. If the Applicants are not able to conclude a sale of the Gorham Mill to a third party, as described above, the transaction will also include a sale of the equity interests of Fraser Gorham which owns the Gorham Mill. If the Gorham Mill is sold to a third party prior to completion of the Transaction Agreement, the purchase price payable under the Transaction Agreement will be reduced by the net proceeds received on such sale to a third party, up to a maximum reduction of \$2,695,722.

Upon implementation of the Plan and the Transaction Agreement all right, title and interest in and to: (a) the Included Property will be held by and vest in the Purchased Companies; and (b) the Equity Interests of FPHI will be transferred to and vest in the Plan Sponsor; in each case free and clear of any and all charges, liens and encumbrances whatsoever.

For greater certainty, and notwithstanding any other provision of the Plan, upon implementation of the Plan and the Transaction Agreement: (a) the Purchased Companies will 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, will 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).

**Releases and
Injunctions:**

In consideration for the establishment of the Creditor Trust and the distributions to be made pursuant to the Plan, the Plan provides for the full and final release of all claims, including, without limitation, those relating to: (a) the business and operations of the Applicants; (b) the property of the Applicants; (c) the CCAA Proceedings; (d) the Chapter 15 Proceedings; (e) all agreements with the DIP Lender; and (f) all pension plans administered by or on behalf of the Applicants, including the terminated Pension Plans, or in respect of which the Directors had any role, whether in their capacity as Directors or in any other capacity, including as or on behalf of the administrators of the pension plans.

Pursuant to, and subject to the terms of the Plan, the Applicants have agreed: (i) to release their respective Inter-Company Claims; (ii) not to vote on the Plan; and (iii) forfeit the right to receive a distribution from the Distribution Pool.

The Plan further provides that all Persons (regardless of whether or not such Persons are Creditors) are permanently prohibited as of the Plan Implementation Date from: (a) commencing any further action against the Released Parties; (b) enforcing any judgment or order against the Released Parties or their respective property; (c) commencing any action, including any action by way of indemnity or contribution, against any Person who may be expected to make a claim against one or more of the Released Parties; (d) creating, perfecting or asserting any lien or encumbrance of any kind; and (e) taking any actions to interfere with the implementation or consummation of the Plan or rights under the Trusts.

(The foregoing is a brief summary of the releases and injunctions contained in the Plan. It is important that you refer to the specific provisions of the Plan for the full scope of the releases and injunctions provided therein.)

**Conditions to
Implementation of**

The implementation of the Plan is conditional upon the fulfilment, satisfaction or waiver by the Applicants, the Plan Sponsor and the DIP

the Plan:

Lender, as applicable, of the following conditions on or before the Plan Implementation Date:

- (a) the Plan terms being acceptable to the Plan Sponsor, acting reasonably;
- (b) the Plan being approved by the Required Majority;
- (c) the Sanction Order being issued by the Court on or before January 13, 2011 or such later date as may be agreed by the Applicants and the Monitor;
- (d) the Sanction Recognition Order being issued by the U.S. Court on or before January 14, 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) 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 to hold the Promissory Notes, the Common Shares and any Cash 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;

- (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.

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 will 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 will post such amendment on the Website and the Applicants will 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, approved by the Court, will, for all purposes, be and be deemed to be a part of and incorporated in the Plan.

Meeting of Creditors:

The Applicants have called for a meeting of the Affected Creditors for the purpose of voting on the Plan. The Meeting will be held on Monday, January 10, 2011 at 10:00 a.m. (EST) at the Hyatt Regency Toronto (Regency Room A), 370 King Street West, Toronto, Ontario, M5V 1J9.

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

Attendance and Voting

The only Persons entitled to attend at the Meeting are Affected Creditors with Proven Voting Claims (or their duly appointed proxyholders), Affected Creditors with Unresolved Claims (or their duly appointed proxyholders), representatives of the Monitor, the Applicants, the Plan Sponsor, all such parties' financial and legal advisors, the Secretary and the Scrutineers. Any other Person may be admitted to the Meeting only by invitation of the Chair.

Quorum

At the Meeting (or any adjournment thereof), a quorum will consist of one Affected Creditor with a Proven Voting Claim present at the Meeting in person or by proxy. If the requisite quorum is not present at the Meeting, then the Meeting will be adjourned by the Chair to such time and place as the Chair deems necessary or advisable.

Chair

An officer of the Monitor will preside as the Chair of the Meeting and will decide all matters relating to the conduct of the Meeting and the validity of the proxies. The Chair will direct a vote by written ballot or such other means as the Chair may consider appropriate with respect to a resolution to approve the Plan and any amendments thereto and any other resolutions as the Applicants or the Monitor may consider appropriate. The form of resolution to approve the Plan is attached as Schedule "A" to this Information Summary.

Creditor Approval of Plan: Required Majority

In order for the Plan to be approved pursuant to the CCAA, it must be approved by a majority in number of Affected Creditors who represent at least two-thirds in value of the Voting Claims of the Affected Creditors in the Unsecured Creditor Class who actually vote on the resolution approving the Plan (in person, by proxy or by ballot) at the Meeting. If such approvals are obtained, in order to make the Plan effective, the Sanction Order and the Sanction Recognition Order must be obtained and the Plan must be implemented by the Applicants.

Tabulation of Votes

For the purpose of calculating a majority in number and two-thirds in value, each Affected Creditor having a Proven Voting Claim will be

entitled to one vote by number in the aggregate amount of such Affected Creditor's Proven Voting Claim.

The Monitor will tabulate the votes of Affected Creditors having Proven Voting Claims and the votes of Affected Creditors having Unresolved Claims separately. The vote of an Affected Creditor having an Unresolved Claim will not be counted for any purpose unless, until and only to the extent that such Claim is ultimately determined to be a Proven Voting Claim. The Monitor will determine whether the votes cast in respect of Unresolved Claims, if any, would affect the approval or non-approval of the Plan.

If the approval or non-approval of the Plan could be affected by the votes cast in respect of Unresolved Claims, if any, then only if the Unresolved Claims are ultimately determined, in whole or in part, to be Proven Voting Claims will such Claims be counted for purposes of determining whether the Required Majority have voted to approve the Plan. This way, the Meeting can proceed concurrently with the conclusion of the Claims Process.

**Consequences of
Non-Implementation
of the Plan:**

If the Plan is not approved by the Required Majority of Affected Creditors and unless a further stay of proceedings is sought by the Applicants and granted by the Court, the current stay of proceedings ordered by the Court will terminate on February 28, 2011, and all Creditors of the Applicants will have the right to exercise their respective rights and remedies against the assets and property of the Applicants. In the event that the Unsecured Creditors Class does not approve the Plan, the Transaction cannot be completed, there will be no funds available to fund the Implementation Payment, and there may also be insufficient funds available to fund the Creditor Trust. It is also likely in that case that there would not be sufficient cash available to repay the DIP Lender in full, such that the DIP Lender would continue to have a priority secured charge over the Promissory Notes and the Common Shares that otherwise would have been available to the Trusts.

It is also unclear if funding would be available under the DIP Facility following a failed vote, beyond the stay expiry date of February 28, 2011.

**Court Approval of
Plan:**

The Applicants will, without further notice, seek sanction by the Court of the Plan if and once it has been approved by the Required Majority of Affected Creditors. If such approval is obtained at the Meeting, the hearing in respect of the Sanction Order is currently scheduled to take place at the Court located at 330 University Avenue, 8th Floor, Toronto, Ontario on January 12, 2011 at 10:00 a.m. EST, as such may be

rescheduled or adjourned thereafter.

In determining whether to sanction the Plan, the Court will consider, among other things, the fairness and reasonableness of the terms and conditions of the Plan.

Any party who wishes to oppose the granting of the Sanction Order must serve on the service list a Notice of Appearance (to the extent not previously served) and a copy of the materials to be used to oppose the granting of the Sanction Order setting out the basis for such opposition, at least (5) Business Days before the date set for the sanction hearing, or such shorter time as the Court may allow. *Creditors should consult their legal advisors with respect to the legal rights available to them in relation to the Plan and the sanction hearing.* In the event that the sanction hearing is rescheduled or adjourned, only those Persons who have filed and served a Notice of Appearance will be served with notice of the rescheduled or adjourned date.

If the Plan has been approved by the Required Majority of Affected Creditors at the Meeting, and the Sanction Order is issued by the Court, the hearing in respect of the Sanction Recognition Order will take place at the U.S. Court located at 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801 on January 13, 2011 at 3:00 p.m. EST, as such may be rescheduled or adjourned thereafter.

**Proposed Timing of
Implementation:**

The following sets forth certain key dates and events under the Plan, which are subject to change.

December 3, 2010	Hearing date for the motion to seek Court approval of the Meeting Order
January 10, 2011	Meeting of Affected Creditors to vote on the Plan
January 12, 2011	Hearing date for the motion to the Court for an Order sanctioning the Plan under the CCAA
January 13, 2011	Hearing date for the motion to the U.S. Court seeking the Sanction Recognition Order
February 4, 2011	Anticipated Plan Implementation Date and

	Closing of the Transaction Agreement
February 4, 2011	Anticipated Implementation Payment Date when Monitor will issue Implementation Payments to Affected Creditors with Proven Distribution Claims
March 31, 2011	Anticipated Final Determination Date (within seven business days after last Unresolved Claim is resolved) when Monitor will allocate Reserve to Affected Creditors with Proven Distribution Claims

SCHEDULE "A"

FORM OF PLAN RESOLUTION

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

**Plan of Compromise or Arrangement
under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended**

BE IT RESOLVED THAT:

1. The plan of compromise or arrangement of Fraser Papers Inc./Papiers Fraser Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited and Fraser N.H. LLC attached as Schedule "B" to the notice of meeting and information summary of the Applicants dated November 29, 2010 (the "**Information Summary**") as such Plan may be amended varied or supplemented by the Applicants from time to time in accordance with its terms and the transactions contemplated therein be and it is hereby accepted, approved, agreed to and authorized;
2. Notwithstanding the passing of this resolution by the Affected Creditors, or approval by the Court and recognition by the U.S. Court, the Applicants may, subject to further order of the Court, determine not to proceed with the Plan.

SCHEDULE "B"

PLAN OF COMPROMISE OR ARRANGEMENT

SCHEDULE “D”

OVERVIEW OF PLAN OF ARRANGEMENT AND SALE TRANSACTION

OVERVIEW OF PLAN OF ARRANGEMENT AND SALE TRANSACTION

TO: All Unrepresented Creditors of Fraser Papers Inc. / Papiers Fraser Inc., FPS Canada, Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited and Fraser N.H. LLC (collectively, the “Companies”)

The Companies have been operating under a Court supervised restructuring pursuant to the *Companies’ Creditors Arrangement Act* (“CCAA”) in Canada and under Chapter 15 of the *U.S. Bankruptcy Code* since June 18, 2009. PricewaterhouseCoopers Inc. acts as court-appointed Monitor (the “Monitor”) of the Companies. The Companies have, over the course of the past 18 months, taken a number of steps to complete a restructuring and that process is now almost complete. We are providing you with this summary of the status of the restructuring, the formal Plan of Compromise and Arrangement (the “Plan”) that is being presented by the Companies to their creditors and the terms of a transaction (the “Transaction”) involving a sale of the Companies’ U.S. subsidiaries to Brookfield Asset Management Inc. or its designate (the “Plan Sponsor”) which will be undertaken as part of the Plan.

In a formal insolvency proceeding supervised by the Courts, the Companies prepare a Plan that is then presented to their creditors for the purposes of allowing creditors to vote in favour of, or to reject the Plan. The Companies are now at the stage where they have prepared a Plan and you will have an opportunity to cast your vote as to the terms of that Plan.

In order for the Plan to be approved and therefore implemented by the Companies, a sufficient number of creditors must vote in favour of the Plan. Otherwise the Plan is deemed to have been rejected. The Companies are providing you with this high-level summary of the Plan and the Transaction to be completed as part of the Plan, to help you understand the terms proposed, and how they affect you as a creditor.

It is important to note that this document provides a brief summary only. The full Plan and all documents relating to the Plan are available on the website of the Monitor, and in the event of any inconsistency between those documents and this summary, those documents govern. You can access all documents through the Monitor’s website at: www.pwc.com/car-fraserpapers.

The key terms of the Plan and the Transaction are as follows:

- The residual operations to be sold to the Plan Sponsor as part of the Plan include the shares of the companies which own the lumber mills located in Ashland and Masardis, Maine. The operations will be sold as a going concern resulting in the opportunity for continued employment and the opportunity for continuing supply of goods and services. If the Companies are not otherwise able to conclude a sale of the paper mill located in Gorham, New Hampshire to a third party, the Transaction will include a sale of the shares of the company that owns this mill, to the Plan Sponsor. If the Gorham Mill is sold to a third party, the purchase price payable under the Plan Sponsor transaction will be reduced by the net proceeds received on such sale.
- Once the Transaction is completed, all operating assets of the Companies will have been sold. All cash received from the sale of the Companies’ operations and other assets will be used to repay amounts owing to the DIP Lender (which advanced funds to permit the restructuring to be

completed) and to repay amounts owing to secured creditors who have valid lien claims against specific assets of the Companies.

- All available cash after repaying secured creditors (including the DIP Lender), and all proceeds and value generated from the sale of the Companies' assets and operations, will then be available for its unsecured creditors. This includes common shares representing a 49% equity interest in Twin Rivers Paper Company Inc. ("Twin Rivers"), which was the purchaser of the specialty papers business, and an unsecured promissory note in the amount of approximately \$44 million payable by Twin Rivers.
- As the promissory note is not due and payable until April, 2018 and neither the promissory notes nor the common shares can be distributed to creditors on an individual basis, a trust is being created for the benefit of all unsecured creditors who have proven claims against the Companies. Other than separate trusts created for the claims of the pension plans registered in the Province of New Brunswick (pursuant to earlier Orders of the Court), the claims of all other unsecured creditors will be administered through one trust. The terms of the Trust Agreement creating the Trust, appointing the Trustee, outlining its powers and duties and providing for all distributions out of the trust will be approved by the Court prior to the Companies delivering any cash or other proceeds of sale to the trust.
- All unsecured creditors with proven claims against the Companies will share, on a *pro rata* basis relative to the dollar amount of each claim, the cash and other proceeds held by the Trust (including the common shares of Twin Rivers and promissory note payable by Twin Rivers). Upon the common shares and promissory note subsequently being realized upon, the Trustee will make a cash distribution to each unsecured creditor based on its respective *pro rata* entitlement, relative to all other unsecured creditors.
- The Plan provides that all unsecured creditors will receive a payment of \$500 per claim if the Plan is approved through a vote by unsecured creditors and is implemented in accordance with its terms. If a creditor's actual claim is less than \$500, it will receive the total amount of its claim up to \$500. All unsecured creditors will continue to hold a claim for the balance owed to them. Once the Trustee is able to realize cash from the proceeds it holds in the trust, it will make a *pro rata* distribution to unsecured creditors based on the remaining amount of each claim.
- The \$500 cash payment to unsecured creditors will be made within one week of the implementation of the Plan and closing of the Transaction, which we anticipate will be mid-January, 2011. If the Companies do not have sufficient funds in mid-January to make this payment, either a reduced payment will be made to all unsecured creditors based on available funds, or the payment will be made as soon as the funds become available.
- The Companies and the Monitor are recommending that all unsecured creditors vote in favour of the Plan and the closing of the Transaction, as they provide the following benefits that will only be available if the Plan is approved:
 - (i) total proceeds received from the Transaction that are in excess of what could be obtained through a series of sales to third parties;
 - (ii) a timely completion of the restructuring process which serves to minimize the professional fees and other costs which would otherwise have had a negative impact on the recovery for unsecured creditors; and

- (iii) greater certainty and finality for stakeholders by concluding all outstanding matters in the proceeding.

If the Plan is implemented, the claims of unsecured creditors will continue as against the proceeds (any residual cash, promissory notes and common shares of Twin Rivers) held by the Trustee. All claims against the Companies, the directors and officers of the Companies, the Plan Sponsor, the DIP Lender and its affiliates and the Monitor will be released upon implementation of the Plan.

If the Plan does not receive sufficient support from creditors in the form of a positive vote to accept the Plan, the Transaction and implementation of the Plan cannot be done. If the Plan is not implemented, the payment of \$500 to each creditor cannot be made, as the Companies will not have sufficient cash to fund such a payment. In addition, the Companies will continue to incur substantial costs and expenses in an effort to sell their remaining assets and operations and deal with the claims of its creditors, which will significantly (negatively) impact any recovery for unsecured creditors.

In order to vote on the Plan you will need to complete the attached Proxy and deliver it by fax, email or regular mail to the Monitor, so that it is received by 2:00 p.m. (EST) on Friday, January 7, 2011.

If you do not fully understand the terms of the Plan that is proposed by the Companies with the support of the Monitor, you should contact the Monitor for further information or obtain advice from your own legal counsel.

Sincerely,

Glen McMillan,
Chief Restructuring Officer of the Companies

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./PAPERS FRASER INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LIMITED, FRASER PAPERS LIMITED and FRASER N.H. LLC (collectively, the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

MEETING ORDER
(DECEMBER 3, 2010)

Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, ON M5K 1K7

D.J. Miller (LSUC# 34393P)
Kyla E.M. Mahar (LSUC# 44182G)

Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants



Court File No CV-09-8241-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM

JUSTICE PEPALL

)

)

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mi 17
THURSDAY, THE 16th DAY

OF DECEMBER, 2010

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

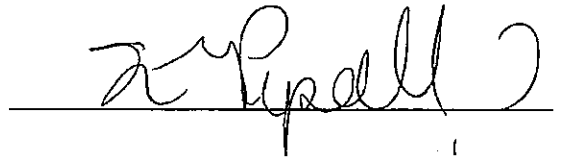
AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT WITH RESPECT TO **FRASER PAPERS
INC./PAPIERS FRASER INC.**, FPS CANADA INC., FRASER PAPERS
HOLDINGS INC., FRASER TIMBER LIMITED, FRASER PAPERS LIMITED
and FRASER N.H. LLC (collectively, the "Applicants")

ORDER
(Amending Meeting Order)

THIS RELIEF, sought by the Applicants for an Order amending the Order of this Court dated December 3, 2010 authorizing the Applicants to call a meeting of creditors (the "Meeting Order"), was heard this day at a 9:30 a.m. chambers appointment at 330 University Avenue, Toronto, Ontario.

sf **ON HEARING** the submissions of counsel for the Applicants, counsel for the Monitor and court-appointed *Representative* Counsel for the employees and retirees of the Applicants ("Davies"), no other counsel appearing although duly provided with short notice of this attendance and the terms of the requested Order as appears from the Affidavit of Service of D.J. Miller sworn December 15, 2010, and upon being advised that the relief sought is supported by the Monitor and by Davies, and is not opposed by: (i) the DIP Lender, (ii) United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union and Communications ("USW") or (iii) Communications, Energy and Paperworkers Union of Canada ("CEP");

1. **THIS COURT ORDERS** that paragraph 25 of the Meeting Order is hereby amended by adding the following sentence at the end of the paragraph: "Notwithstanding the terms of this paragraph 25, the Proven Voting Claims filed by Representative Counsel on behalf of the twenty (20) former employees who were governed by the terms of a collective agreement involving the International Brotherhood of Electrical Workers, shall be treated for all purposes as individual Proven Voting Claims and, to the extent they are or become Proven Distribution Claims, as individual Proven Distribution Claims under the Plan."

A handwritten signature in black ink, appearing to read "J. Lipall", is written over a horizontal line.

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

DEC 17 2010

PER / PAR:

Handwritten initials "NB" in black ink.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36 AS AMENDED
AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO
FRASER PAPERS INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LIMITED,
FRASER PAPERS LIMITED and FRASER N.H. LLC (collectively, the "Applicants")

Applicants

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

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

Proceedings commenced at Toronto

O R D E R
(Amending Meeting Order)

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

D.J. Miller (LSUC# 34393P)
Tel: 416-304-0559
Fax: 416-304-1313

Lawyers for the Applicants

EXHIBIT “B”



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

THE HONOURABLE MR.

) **TUESDAY, THE 1ST DAY**

)

JUSTICE MORAWETZ

) **OF FEBRUARY, 2011**

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

SUPPLEMENTAL MEETING ORDER

THIS MOTION, brought by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an Order supplementing the Meeting Order dated December 3, 2010, as amended by the Amending Meeting Order dated December 17, 2010 (collectively, the "**Meeting Order**") by, among other things, (a) accepting the filing of the Amended Consolidated Plan of Compromise and Arrangement dated January 27, 2011 (the "**Amended Plan**") attached hereto as Schedule "A", without schedules attached ~~thereto~~ ^{thereto}, (b) authorizing the Applicants to establish one class of Affected Creditors for the purposes of considering and voting on the Amended Plan, (c) authorizing the Applicants to call, hold and conduct a further meeting of their Affected Creditors (the "**February Meeting**") to

consider and vote on a resolution to approve the Amended Plan, (d) approving the procedures to be followed with respect to the calling and conduct of the February Meeting, and (e) setting the date for the hearing of the Applicants' motion seeking an Order sanctioning the Amended Plan (the "**Plan Sanction Hearing**"), was heard this day at 330 University Avenue, in the City of Toronto, Ontario.

ON READING the affidavit of Glen McMillan sworn on November 29, 2010, the affidavit of Glen McMillan sworn on January 11, 2011, each previously filed, the affidavit of Glen McMillan sworn on January 27, 2011, the Sixteenth Report (the "**Sixteenth Report**") of PricewaterhouseCoopers Inc., in its capacity as court-appointed monitor of the Applicants (the "**Monitor**"), previously filed, the Seventeenth Report (the "**Seventeenth Report**") of the Monitor, to be filed, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for Brookfield US Corporation, as DIP Lender and Brookfield Asset Management Inc., as Plan Sponsor and as Administrative Agent and Collateral Agent for the DIP Lender, counsel for the court-appointed Committee Representing Unrepresented Employees and Former Employees (the "**Representative Counsel**"), counsel for the Superintendent of Financial Services of Ontario, counsel for Morneau Shepell Inc. (formerly Morneau Sobeco Inc.) ("**Morneau**") as the administrator appointed by the Superintendent of Pensions for the province of New Brunswick of the New Brunswick Hourly Pension Plan, New Brunswick Registration #0251264 and the New Brunswick Salaried Pension Plan, New Brunswick Registration #0251256, counsel acting as Ontario agent for the New Brunswick Superintendent of Pensions, counsel for United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union ("**USW**"), and upon being advised that counsel for Communications, Energy and Paperworkers Union of Canada ("**CEP**") although not appearing does not oppose the

relief sought, no one appearing for any other party on the service list in these CCAA Proceedings (the “**Service List**”) although all duly served as appears from the affidavit of service of Danny Nunes sworn on January 31, 2011, filed, and upon reviewing the affidavit of service of Danny Nunes sworn on January 31, 2011 with respect to service of the motion record on the Non-Released Parties:

SERVICE

1. **THIS COURT ORDERS** that the time for the service of the notice of motion, the motion record in respect of this motion, and the Seventeenth Report be and it is hereby abridged and that this Motion is properly returnable today and service of the notice of motion, motion record and the Monitor’s Seventeenth Report is hereby validated in all respects.

DEFINITIONS

2. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Supplemental Meeting Order shall have the meanings ascribed to them in either the Meeting Order or the Amended Plan, as applicable.

THE AMENDED PLAN

3. **THIS COURT ORDERS** that the Amended Plan be and is hereby accepted for filing with the Court, and that the Applicants are authorized to seek approval of the Amended Plan in the manner set forth herein.
4. **THIS COURT ORDERS** that, subject to the consent of the Plan Sponsor, the Applicants be and are hereby authorized to amend, modify and/or supplement the Amended Plan, in

consultation with the Monitor, provided that any such amendment, modification or supplement:

- (a) if made prior to the Meeting, is communicated by the Applicants or the Chair to the Affected Creditors prior to or at the Meeting;
- (b) if made at any time during the Meeting, is communicated by the Applicants or the Chair to those in attendance at the Meeting prior to the vote being taken in respect of the Amended Plan; and
- (c) in all cases, is set out in writing and is filed with the Court and posted on the Monitor's website at www.pwc.com/car-fraserpapers (the "Website") on or before the Plan Sanction Hearing.

5. **THIS COURT ORDERS** that, notwithstanding anything in paragraph 4 herein, the Applicants be and are hereby authorized to amend, modify and/or supplement the Amended Plan at any time following the date the Sanction Order, if granted, either with Court approval or without obtaining Court approval if each of the Applicants, the Plan Sponsor and the Monitor determine that such amendment, modification and/or supplement is of an administrative nature required to better give effect to the implementation of the Amended Plan and, if applicable, to the Sanction Order and is not adverse or prejudicial to the financial or economic interests of the Affected Creditors. Any such amendments, modifications and/or supplements to the Amended Plan shall be filed with the Court and posted on the Monitor's Website.

CLASSIFICATION OF CREDITORS

6. **THIS COURT ORDERS** that for the purposes of considering and voting on the Amended Plan the Affected Creditors of the Applicants shall constitute a single class of Creditors (the “**Unsecured Creditors Class**”).

NOTICE OF FEBRUARY MEETING

7. **THIS COURT ORDERS** that as soon as practicable after the granting of this Supplemental Meeting Order (the Monitor shall use best efforts to do so by 5:00 p.m. on Tuesday, February 1, 2011) and, in any event, no later than 10:00 a.m. (Eastern Standard Time (“EST”)) on Wednesday, February 2, 2011, the Monitor shall post on its Website electronic copies of the following documents (the “**February Meeting Materials**”) with the Meeting Materials that it posted previously in accordance with the Meeting Order until 30 days after the Plan Implementation Date and email same to the Service List in this proceeding:

- (a) the Amended Plan (in English and French) with the Schedules to the Amended Plan including the Transaction Agreement (in English only);
- (b) a blacklined document comparing the Plan to the Amended Plan without Schedules (in English and French);
- (c) the Form of Proxy updated to provide information with respect to the February Meeting in the form attached hereto as Schedule “B” (the “**Form of Proxy**”) (in English and French);

- (d) the notice to Creditors in respect of the Amended Plan, the February Meeting and the Plan Sanction Hearing substantially in the form attached hereto as Schedule “C” (the “**New Notice to Creditors**”) (in English and French);
- (e) the Monitor’s Seventeenth Report (in English only); and
- (f) the Supplemental Meeting Order (in English only).

8. **THIS COURT ORDERS** that, subject to paragraph 9 of this Order, as soon as practicable after the granting of this Supplemental Meeting Order (the Monitor shall use best efforts to do so by 5:00 p.m. on Tuesday, February 1, 2011) and, in any event, no later than 10:00 a.m. (EST) on Wednesday, February 2, 2011, the Monitor shall send to each Affected Creditor by email at the e-mail address listed on the Proof of Claim submitted by such Affected Creditor or such other e-mail address subsequently provided to the Monitor by such Affected Creditor, or where such Affected Creditor is represented by legal counsel (other than Representative Counsel) in these proceedings, to such Affected Creditor’s legal counsel at the e-mail address listed on the Service List:

- (a) the Form of Proxy in English and French;
- (b) the New Notice to Creditors in English and French; and
- (c) a link to the Monitor’s Website to allow such Affected Creditors to access and obtain the Amended Plan and copies of all other February Meeting Materials and Meeting Materials.

9. **THIS COURT ORDERS** that as soon as practicable after the granting of this Supplemental Meeting Order (the Monitor shall use best efforts to do so by 5:00 p.m. on

Tuesday, February 1, 2011) and, in any event, no later than 10:00 a.m. (EST) on Wednesday, February 2, 2011, the Monitor shall send to each Affected Creditor that voted, in person or by proxy, at the Meeting and for which the Monitor does not have an email address, the February Meeting Materials (in the language that such Affected Creditor filed its proxy, if such materials are available in English and French) by courier at the contact address listed on the Proof of Claim submitted by such Affected Creditor or to such other address, if any, as may have been subsequently provided to the Monitor by such Affected Creditor.

10. **THIS COURT ORDERS** that posting of the February Meeting Materials on the Monitor's Website in accordance with paragraph 7 herein and the delivery of a copy of the February Meeting Materials upon the Affected Creditors in the manner set out in paragraphs 7, 8 and 9 herein shall constitute good and sufficient service of this Supplemental Meeting Order and the Amended Plan, and good and sufficient notice of the February Meeting on all Affected Creditors who may be entitled to receive notice hereof, or of these CCAA Proceedings, or who may wish to be present in person or by proxy at the February Meeting, or who may wish to appear in these CCAA Proceedings, and no other form of notice or service need be made on such Persons, and no other documents or materials need be served on such Persons in respect of these CCAA Proceedings. Service shall be effective in the case of service by e-mail on the day the e-mail was transmitted, unless such day is not a Business Day, or the e-mail transmission was made after 5:00 p.m. (EST), in which case, service shall be effective on the next Business Day and in the case of service by courier, one (1) Business Day after such courier is sent.

11. **THIS COURT ORDERS** that the form and substance of the Form of Proxy and the New Notice to Creditors is hereby approved. The Applicants are authorized to make such minor changes to the Proxy and the New Notice to Creditors as the Applicants and the Monitor deem necessary or desirable.

THE FEBRUARY MEETING AND TREATMENT OF CREDITORS

12. **THIS COURT ORDERS** that the Applicants are hereby authorized to call, hold and conduct the February Meeting of the Unsecured Creditor Class for the purpose of considering, and if deemed advisable, passing, with or without variation, a resolution to approve the Amended Plan. The February Meeting shall be held at 10:00 a.m. (EST) on Tuesday, February 8, 2011 at the offices of Thornton Grout Finnigan LLP, Canadian Pacific Tower, Toronto-Dominion Centre, 100 Wellington Street West, Suite 3200, Toronto, Ontario, M5K 1K7.
13. **THIS COURT ORDERS** the provisions of the Meeting Order under the headings The Meeting and Treatment of Creditors shall be applicable to and shall govern all aspects of the February Meeting and the Amended Plan save and except as such provisions are specifically modified pursuant to this Supplemental Meeting Order.
14. **THIS COURT ORDERS** that, in respect of the February Meeting and the Amended Plan, the Chair be and is hereby authorized to accept and rely upon all duly completed Proxies previously delivered by Affected Creditors to the Monitor for the Meeting, and that Affected Creditors shall not be required to submit a new Proxy in order to vote at the February Meeting.

15. **THIS COURT ORDERS** that Proxies must be received by the Monitor by no later than 2:00 p.m. (EST) on Monday, February 7, 2011, or 48 hours (excluding Saturdays, Sundays and holidays) before the time of any recommencement of the February Meeting if it has been adjourned, or presented to the Monitor at the February Meeting or at the recommencement of the February Meeting if it has been adjourned.
16. **THIS COURT ORDERS** that an Affected Creditor who has given a Proxy may revoke such Proxy (as to any matter on which a vote has not already been cast pursuant to its authority), unless such Affected Creditor has agreed otherwise, by an instrument in writing executed by such Affected Creditor or by its attorney, duly authorized in writing or, if such Affected Creditor is not an individual, by an officer or attorney thereof duly authorized, and delivering it to the Monitor by mail, delivery, courier, facsimile or email at the address set out in paragraph 24 herein by 2:00 p.m. (EST) on Monday, February 7, 2011, or 48 hours (excluding Saturday, Sundays and holidays) before the time of any recommencement of the February Meeting if it has been adjourned, or presented to the Monitor at the February Meeting or at the recommencement of the February Meeting if it has been adjourned.
17. **THIS COURT ORDERS** that the Monitor shall file a report with this Court by no later than noon (EST) on February 9, 2011, or within two Business Days after the February Meeting if it's adjourned to a later date, with respect to the results of the vote, including whether:
 - (a) the Amended Plan has been accepted by the Required Majority of the Unsecured Creditors Class; and

- (b) whether the votes cast in respect of Unresolved Claims, if any, would affect the approval or non-approval of the Amended Plan.

PLAN SANCTION HEARING AND SANCTION ORDER

18. **THIS COURT ORDERS** that if the Amended Plan has been accepted by the Required Majority set out in the CCAA, the Applicants shall bring a motion seeking the Sanction Order on Thursday, February 10, 2011, at 10:00 a.m. (EST) or as soon thereafter as the matter can be heard.
19. **THIS COURT ORDERS** that service and publication of the New Notice to Creditors as provided herein and the posting of this Supplemental Meeting Order on the Monitor's Website pursuant to paragraph 7 herein shall constitute good and sufficient service of notice of the Plan Sanction Hearing upon all Persons who may be entitled to receive such service and no other form of service or notice need be made on such Persons and no other materials need be served on such Persons in respect of the Plan Sanction Hearing unless they have served and filed a Notice of Appearance in these CCAA Proceedings.
20. **THIS COURT ORDERS** that any Person (other than Persons on the Service List) wishing to receive materials and appear at the Plan Sanction Hearing shall serve upon the lawyers for each of the Applicants, the Monitor and the Plan Sponsor and file with this Court a Notice of Appearance by no later than 5:00 p.m. (EST) on Tuesday, February 8, 2011, or, if the Plan Sanction Hearing is delayed, by no later than 5:00 p.m. (EST) on the date that is five (5) Business Days' prior to the Plan Sanction Hearing.
21. **THIS COURT ORDERS** that any Person who wishes to oppose the motion for the Sanction Order shall serve upon the lawyers for each of the Applicants, the Monitor and

the Plan Sponsor, and upon all other parties on the Service List, and file with this Court a copy of the materials to be used to oppose the motion for the Sanction Order by no later than 2:00 p.m. (EST) on Wednesday, February 9, 2011, or if the Plan Sanction Hearing is delayed, by no later than 5:00 p.m. (EST) on the date that is five (5) Business Days' prior to the Plan Sanction Hearing.

22. **THIS COURT ORDERS** that if the Plan Sanction Hearing is adjourned, only those Persons who are listed on the Service List (including those Persons who have complied with paragraph 20 of this Supplemental Meeting Order) shall be served with notice of the adjourned date of the Plan Sanction Hearing.

GENERAL

23. **THIS COURT ORDERS** that the Applicants and the Monitor may, in their discretion, generally or in individual circumstances, waive in writing the time limits imposed on any Affected Creditor under this Supplemental Meeting Order if the Applicants and the Monitor deem it advisable to do so, without prejudice to the requirement that all other Affected Creditors must comply with the terms of this Supplemental Meeting Order.
24. **THIS COURT ORDERS** that any notice or other communication to be given pursuant to this Supplemental Meeting Order by or on behalf of any Person to the Monitor shall be in writing and will be sufficiently given only if by mail, courier, e-mail, fax or hand-delivery addressed to:

PricewaterhouseCoopers Inc.
Monitor of Fraser Papers Inc.
77 King Street West, P.O. Box 82, Suite 3000
Royal Trust Tower, TD Centre,
Toronto, Ontario M5K 1G8

Attention: Tracey Weaver
Telephone: 1.877.332.1688
Fax: (416) 814-3219
Email: FPclaims@ca.pwc.com

25. **THIS COURT ORDERS** that if any deadline set out in this Supplemental Meeting Order falls on a day other than a Business Day, the deadline shall be extended to the next Business Day.
26. **THIS COURT ORDERS** that, notwithstanding the terms of this Supplemental Meeting Order, the Applicants may apply to this Court from time to time for such further Order or Orders as they consider necessary or desirable to amend, modify, supplement or replace this Supplemental Meeting Order.

EFFECT, RECOGNITION AND ASSISTANCE

27. **THIS COURT ORDERS** that the Applicants and the Monitor may, from time to time, apply to this Court for advice and directions concerning the discharge of their respective powers and duties under this Supplemental Meeting Order or the interpretation or application of this Supplemental Meeting Order.
28. **THIS COURT ORDERS** that this Supplemental Meeting Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may be enforceable.
29. **THIS COURT ORDERS AND REQUESTS** the aid, recognition and assistance of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative

tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States of America and the states or other subdivisions of the United States of America, including the U.S. Court presiding over the Chapter 15 Proceedings, and of any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Supplemental Meeting Order. Each of the Applicants and the Monitor shall be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other courts and judicial, regulatory and administrative bodies, and take such other steps, in Canada or in the United States of America, as may be necessary or advisable to give effect to this Supplemental Meeting Order and any other Order granted by this Court.



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

FEB - 1 2011

PER / PAR:



SCHEDULE "A"

AMENDED CONSOLIDATED PLAN OF COMPROMISE AND ARRANGEMENT

**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**

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 to be confirmed by the Trust Order;

"Creditor Trusts" means, collectively, the Creditor Trust and the U.S. Creditor Trust;

"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, 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, 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 25, 2010 attached hereto as Schedule “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 Trusts, approving the form and authorizing the execution of the creditor trust agreements and confirming the appointment of the trustees of each of the Creditor Trusts;

“Trusts” means, collectively, the Creditor 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" – Transaction Agreement, without schedules;

Schedule "B" – Promissory Notes; and

Schedule "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 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 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 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 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 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 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 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 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 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 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 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 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 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 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, 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, consultants, financial advisors, servants, agents and assigns (collectively, the "**Released Parties**" and individually, a "**Released Party**"), 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; (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, 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 any Non-Released Claims 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

For greater certainty: (i) nothing in the Plan shall release, enjoin or compromise 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.

Dated at **Toronto, Ontario** this 27th day of January, 2011.

SCHEDULE "B"
FORM OF PROXY

FRASER PAPERS INC./PAPIERS FRASER INC., FPS CANADA INC.,
FRASER PAPERS HOLDINGS INC., FRASER TIMBER LIMITED,
FRASER PAPERS LIMITED and FRASER N.H. LLC (the "Applicants")

**FORM OF PROXY FOR THE MEETING OF AFFECTED CREDITORS TO BE HELD
ON FEBRUARY 8, 2011 (the "February Meeting")**

to be held pursuant to an Order of the Ontario Superior Court of Justice
(Commercial List) made December 3, 2010, as amended by the Amending Meeting Order
dated December 17, 2010 (collectively, the "Meeting Order"), as supplemented by the
Supplemental Meeting Order dated February 1, 2011 (the "Supplemental Meeting Order")
and, in connection with the Applicants' Amended Consolidated Plan of Compromise and
Arrangement under the *Companies' Creditors Arrangement Act* (the "Amended Plan")

at 10:00 a.m. (EST) at the offices of Thornton Grout Finnigan LLP, Canadian Pacific
Tower, Toronto-Dominion Centre, 100 Wellington Street West, Suite 3200, Toronto,
Ontario M5K 1K7

**IF YOU FILED A PROXY TO VOTE AT THE MEETING HELD ON JANUARY 10,
2011, YOUR PREVIOUSLY FILED PROXY WILL BE COUNTED AT THE FEBRUARY
MEETING AND YOU DO NOT NEED TO FILE A NEW PROXY TO VOTE AT THE
FEBRUARY MEETING UNLESS YOU WISH TO CHANGE OR REVOKE YOUR
VOTE.**

Before completing this form of proxy (the "Proxy"), please read carefully the accompanying
instructions for information respecting the proper completion and return of this Proxy. **IF YOU
HAVE PREVIOUSLY NOT FILED A PROXY**, THIS PROXY MUST BE COMPLETED,
SIGNED AND PROVIDED TO PRICEWATERHOUSECOOPERS INC. (the "Monitor")
PRIOR TO THE FEBRUARY MEETING IF ANY PERSON ON BEHALF OF THE
UNDERSIGNED AFFECTED CREDITOR (the "Affected Creditor") IS TO ATTEND THE
FEBRUARY MEETING AND VOTE ON THE PLAN OR IF THE AFFECTED CREDITOR
WISHES TO APPOINT AN OFFICER OF THE MONITOR TO ACT AS THE AFFECTED
CREDITOR'S PROXY.

The Affected Creditor, as the holder of a Proven Voting Claim and/or an Unresolved Claim that
may be voted and tabulated separately at the February Meeting in accordance with the Meeting
Order and the Supplemental Meeting Order, hereby revokes all proxies previously given and
nominates, constitutes and appoints _____ or, instead
of the foregoing, Mr. John McKenna of the Monitor, or such other person as Mr. John McKenna
may designate, as proxyholder, with full power of substitution, to attend, vote and otherwise act
for and on behalf of the Affected Creditor at the February Meeting and any adjournments(s)
thereof. Without limiting the generality of the power hereby conferred, the persons named as
proxyholders are specifically directed to vote as follows:

1. (Mark one only)

☐ **VOTE FOR** approval of the Amended Plan; or

☐ **VOTE AGAINST** approval of the Amended Plan;

2. Vote at the proxyholder's discretion and otherwise act for and on behalf of the undersigned Affected Creditor with respect to any amendments or variations to the Amended Plan and to any other matters that may come before the February Meeting or any adjournment thereof.

Dated this _____ day of February, 2011

Name of the Affected Creditor (Please Print)

Signature of Witness

Signature of the Affected Creditor or attorney authorized in writing or, if the Affected Creditor is a corporation, signature of a duly authorized signing officer of the corporation

Title of the authorized signing officer of the Affected Creditor

Mailing address and telephone number of the Affected Creditor

INSTRUCTIONS FOR COMPLETION OF THE PROXY

IF YOU FILED A PROXY TO VOTE AT THE MEETING HELD ON JANUARY 10, 2011, YOUR PREVIOUSLY FILED PROXY WILL BE COUNTED AT THE FEBRUARY MEETING AND YOU DO NOT NEED TO FILE A NEW PROXY TO VOTE AT THE FEBRUARY MEETING UNLESS YOU WISH TO CHANGE OR REVOKE YOUR VOTE.

1. Each Affected Creditor who has a right to vote at the February Meeting has the right to appoint a person to attend, act and vote for and on behalf of the Affected Creditor and such right may be exercised by inserting in the space provided the name of the person to be appointed. If no name has been inserted in the space provided, the Affected Creditor will be deemed to have appointed Mr. John McKenna of the Monitor as the Affected Creditor's proxyholder.
2. If this Proxy is not dated in the space provided, it shall be deemed to be dated on the date it is received by the Monitor.
3. If an officer of the Monitor is appointed or is deemed to be appointed as proxyholder and the Affected Creditor fails to indicate on the Proxy whether it wishes to vote for or against approval of the Amended Plan, the Affected Creditor will be deemed to have instructed its proxyholder to vote FOR approval of the Amended Plan, including any amendments thereto.
4. If more than one valid Proxy for the same Affected Creditor is received, the Proxy bearing the later date shall govern and the earlier-dated Proxy shall be revoked. If more than one valid Proxy for the same Affected Creditor and bearing or deemed to bear the same date are received with conflicting instructions, such Proxies will be treated as disputed Proxies and shall not be voted.
5. An Affected Creditor's Proxy may also be revoked, unless such Affected Creditor has agreed otherwise, by an instrument in writing executed by such Affected Creditor or by its attorney, duly authorized in writing or, if such Affected Creditor is not an individual, by an officer or attorney thereof duly authorized, and delivering it to the Monitor by 2:00 p.m. (EST) on Monday, February 7, 2011, or 48 hours (excluding Saturday, Sundays and holidays) before the time of any recommencement of the February Meeting if it has been adjourned, or presented to the Monitor at the February Meeting or at the recommencement of the February Meeting if it has been adjourned.
6. This Proxy must be signed by the Affected Creditor or by a person duly authorized (by power of attorney) to sign on the Affected Creditor's behalf or, if the Affected Creditor is a corporation, by a duly authorized officer or attorney of the corporation.
7. In order to appoint the Monitor as your proxy, this Proxy, once completed, dated and signed, should be sent in advance to the Monitor, by mail, delivery, courier, facsimile or email at the address set out below and must be received by the Monitor by no later than 2:00 p.m. (Eastern Standard Time ("EST")) on February 7, 2011, or 48 hours (excluding Saturdays, Sundays and holidays) before the time of any recommencement of the February Meeting if it has

been adjourned, or presented to the Monitor at the February Meeting or at the recommencement of the February Meeting if it has been adjourned.

8. If you wish to appoint any person other than the Monitor as your proxy, you may either send the proxy to the Monitor at the address listed below before February 7, 2011, at 2:00 p.m. (EST), or 48 hours (excluding Saturdays, Sundays and holidays) before the time of any recommencement of the February Meeting if it has been adjourned, or present the Proxy to the Monitor at the February Meeting or at the recommencement of the February Meeting if it has been adjourned.

Address of the Monitor: **PricewaterhouseCoopers Inc.**
Monitor of Fraser Papers Inc.
77 King Street West, P.O. Box 82, Suite 3000
Toronto, ON M5K 1G8
Attention: Ms. Tracey Weaver
Facsimile: (416) 814-3219
Email: FPclaims@ca.pwc.com

SCHEDULE "C"
NEW NOTICE TO CREDITORS

**FRASER PAPERS INC./PAPIERS FRASER INC., FPS CANADA INC.,
FRASER PAPERS HOLDINGS INC., FRASER TIMBER LIMITED,
FRASER PAPERS LIMITED and FRASER N.H. LLC (the "Applicants")**

**NOTICE OF FURTHER MEETING OF CREDITORS
OF THE APPLICANTS**

NOTICE IS HEREBY GIVEN that a further meeting (the "**February Meeting**") of creditors of the Applicants entitled to vote on an amended consolidated plan of arrangement (the "**Amended Plan**") proposed by the Applicants under the *Companies' Creditors Arrangement Act* (the "**CCAA**") will be held at the offices of Thornton Grout Finnigan LLP, Canadian Pacific Tower, Toronto-Dominion Centre, 100 Wellington Street West, Suite 3200, Toronto, Ontario, on **Tuesday, February 8, 2011, at 10:00 a.m. (EST)** for the following purposes:

- (1) to consider and, if deemed advisable, to pass, with or without variation, a resolution to approve the Amended Plan; and
- (2) to transact such other business as may properly come before the February Meeting or any adjournment thereof.

The Amended Plan is being considered pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated December 3, 2010, as amended by the Amending Meeting Order dated December 17, 2010 (collectively, the "**Meeting Order**") as supplemented by the order of the Court dated February 1, 2011 (the "**Supplemental Meeting Order**"). Following approval by the required majorities of the creditors entitled to vote and voting on the Amended Plan, the Amended Plan must also be approved by an order of the Court (the "**Sanction Order**").

IF YOU FILED A PROXY TO VOTE AT THE MEETING HELD ON JANUARY 10, 2011, YOUR PREVIOUSLY FILED PROXY WILL BE COUNTED AT THE FEBRUARY MEETING AND YOU DO NOT NEED TO FILE A NEW PROXY TO VOTE AT THE FEBRUARY MEETING UNLESS YOU WISH TO CHANGE OR REVOKE YOUR VOTE.

Only those creditors who are not attending the February Meeting in person and who are entitled to vote on the Amended Plan, or who wish to designate another party to attend the February Meeting and vote on their behalf, **who have not previously filed a Proxy or who wish to change or revoke their vote** are required to date, sign and return the Proxy by mail, delivery, courier, facsimile or email so that it is received by PricewaterhouseCoopers Inc. (the "**Monitor**") by no later than **2:00 p.m. (EST) on Monday, February 7, 2011, or 48 hours (excluding Saturdays, Sundays and holidays) before the time of any recommencement of the February Meeting that has been adjourned, or to present the Proxy to the Monitor at the February Meeting.** Such creditors may designate the Monitor to vote their claims at the February Meeting as per their respective Proxies. A Proxy will not be valid and will not be acted upon, voted or

recorded unless it is completed as specified in the form of proxy enclosed herewith and the related instructions.

A creditor's Proxy may also be revoked (withdrawn), unless such creditor has agreed otherwise, by an instrument in writing executed by such creditor or by its attorney, duly authorized in writing or, if such Affected Creditor is not an individual, by an officer or attorney thereof duly authorized, and delivering it to the Monitor by 2:00 p.m. (EST) on Monday, February 7, 2011, or 48 hours (excluding Saturday, Sundays and holidays) before the time of any recommencement of the February Meeting if it has been adjourned, or presented to the Monitor at the February Meeting or at the recommencement of the February Meeting if it has been adjourned.

The Monitor's address for the purpose of filing forms of proxy and for obtaining any additional information or materials related to the February Meeting is:

PricewaterhouseCoopers Inc.
Monitor Fraser Papers Inc.
77 King Street West
P.O. Box 82, Suite 3000
Royal Trust Tower, TD Centre,
Toronto, Ontario M5K 1G8

Attention: Ms. Tracey Weaver
Facsimile: (416) 814-3219
Email: FPclaims@ca.pwc.com

Creditors requiring information or copies of the Amended Plan, the Meeting Order, the Supplemental Meeting Order, the Monitor's Report in respect of the Amended Plan, a proxy form with respect to the February Meeting or additional documentation pertaining to the within CCAA proceedings may obtain copies of such documents on the Monitor's website at www.pwc.com/car-fraserpapers by contacting the Monitor at the address above or by phone at 1-877-332-1688.

DATED at Toronto, Ontario, this 1st day of February, 2011.

NOTICE OF SANCTION HEARING

If the creditors approve the Amended Plan, the application for the Sanction Order will be heard on **February 10, 2011 at 10:00 am. (EST)** or such other date as may be set by the Court, before the Ontario Superior Court of Justice (Commercial List), 330 University Avenue, Toronto, Ontario.

Pursuant to the Supplemental Meeting Order, no other form of notice need be made to any creditor and no other materials need be served on any creditor in respect of the Sanction Hearing unless such creditor has served and filed a Notice of Appearance in these proceedings.

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 (collectively, the "Applicants")

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

ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) Proceedings commenced at Toronto	
SUPPLEMENTAL MEETING ORDER (FEBRUARY 1, 2011)	
Thornton Grout Finnigan LLP Barristers and Solicitors Suite 3200, P.O. Box 329 Canadian Pacific Tower Toronto-Dominion Centre Toronto, ON M5K 1K7 D.J. Miller (LSUC# 34393P) Kyla E.M. Mahar (LSUC# 44182G) Tel: 416-304-1616 Fax: 416-304-1313 Lawyers for the Applicants	

EXHIBIT “C”

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

Applicants

**UNOFFICIAL TRANSCRIPTION OF THE ENDORSEMENT ON THE MOTION
RECORD OF THE HONOURABLE MR. JUSTICE MORAWETZ**

Feb 1, 2011

Motion granted. Order to go in the form presented. A brief handwritten endorsement providing reasons will be issued later today.

Morawetz J.

Feb 1, 2011

D. J. Miller and K. Mahar for Applicants

R. J. Chadwick for PwC Monitor

J. Swartz for Retired and Salaried Employees

D. Chernos and S. Bomhof for Brookfield

P. J. Osborne for Directors of Fraser Papers

A. Hatnay for Morneau Sobeco and Ont. Agent for New Brunswick Superintendent of Pensions

The motion was not opposed. Counsel for the Applicants also [advised] that the Communications, Energy and Paperworkers Union of Canada, although not appearing does not oppose the relief sought. In addition, certain parties who did not support the original Plan have indicated their support for the relief sought, namely N.B. Superintendent of Pensions, Morneau (the Administrator) and the [CMAW]. The Monitor also supports the relief sought. The original Plan, voted on at the January 10, 2011 meeting, was not accepted by affected parties in the

required majority provided for in the CCAA. Since that time there have been further negotiations resulting in an Amended Plan. The Motion Record contains details of the Amended Plan which counsel to the Applicants submit is not materially different in the treatment being offered to creditors. There are 3 principal changes to the original Plan.

1. Proposed Plan Release in favour of actuaries are now “carved out”.
2. There is a proposed release of cash collateral related to certain letters of credit.
3. Arrangements satisfactory to Morneau and the NB Superintendent have been made in relation to current service costs.

Details of the amendments are also set out in the Monitor’s 17th Report.

As a result of these changes, the Applicants are confident of receiving the required level of support for this Amended Plan. The Applicants request that the Amended Plan be accepted for filing and directions provided for the calling and holding of a meeting of creditors on February 8, 2011, and if approved by the creditors, this would be followed by a motion to seek a Sanction Order on February 10, 2011.

The Applicants submit that, in the circumstances, where the Original Plan had overwhelming numbers of creditors in support, service of necessary documents for the February meeting be made by email is sufficient, subject to certain exceptions where courier is appropriate. I accept these submissions and agree that service be effected in the manner set out in the draft order.

I am also satisfied that the impact of the Amended Plan on creditors is such that they are not disadvantaged and consequently an extended notice period is not required. An extended notice period, on the contrary, could be detrimental [to] creditors generally.

In the circumstances, I have determined that it is in the best interests of the Applicants and its stakeholders that the requested relief be granted.

An order shall issue in the form presented.

Morawetz J.

EXHIBIT “D”

TERM SHEET FOR GLOBAL AGREEMENT

Each of the undersigned parties agree to the following:

Sale of Specialty Papers Business

1. The specialty papers business of Fraser Papers Inc. ("FP") and its affiliates under the CCAA proceeding (collectively, the "Applicants") will be sold to a new company or companies pursuant to the Asset Purchase Agreement ("APA") approved by the court on December 10, 2009.

2. Neither Brookfield Asset Management Inc. ("BAM") nor its designate under the APA ("Newco") will have any liability for any obligations or liabilities whatsoever in connection with the registered pension plan in New Brunswick for hourly employees (the "NB Hourly Plan"), the registered pension plan in Quebec for hourly employees (the "Quebec Hourly Plan") (the "NB Hourly Plan and the Quebec Hourly Plan being collectively, the "Plans") or for any termination, severance or related amounts which any current or former employee of the Applicants could assert against the Applicants.

3. FP will request that Newco: (i) allow the CEP national union to nominate one of the two independent directors to Newco's board of directors; (ii) allow the other unsecured creditors of FP to nominate the second independent director to Newco's board of directors; and (iii) ensure that the independent directors of Newco are approved by the majority of the three non-independent directors and have the same rights and responsibilities as the three non-independent directors of Newco.

4. On closing of the APA, FP will deliver an irrevocable Direction to Newco to direct that the following fixed payments be made to the Outside Trust Fund [as defined in paragraph 17(c)] on the following dates in consideration for the closing of the APA:

(a)	October 1, 2011:	CDN\$437,500
(b)	March 31, 2012:	CDN\$437,500
(c)	October 1, 2012:	CDN\$437,500
(d)	March 31, 2013:	CDN\$437,500
(e)	October 1, 2013:	CDN\$437,500
(f)	March 31, 2014:	CDN\$437,500
(g)	October 1, 2014:	CDN\$437,500

- (h) March 31, 2015: CDN\$437,500
- (i) October 1, 2015: CDN\$437,500
- (j) March 31, 2016: CDN\$437,500
- (k) October 1, 2016: CDN\$437,500
- (l) March 31, 2017: CDN\$437,500
- (m) October 1, 2017: CDN\$437,500
- (n) March 31, 2018: CDN\$437,500

Collective Agreements and Related Agreements

5. All existing collective agreements with the exception of Thurso will be amended through a signed Memorandum of Settlement with each union local to delete all references to the existing defined benefit pension plans.

6. The collective agreements between CEP and FP will be amended to reflect that FP agrees to discuss with CEP the possibility of replacing the defined contribution pension plan under the existing collective agreements in New Brunswick (the "DC Plan"), with a fixed contribution pension plan for future years of service. If FP and CEP reach such agreement, FP's obligation or liability in respect of such plan shall not exceed the contribution set out in the collective agreement for the DC Plan, and FP shall have no obligation in respect of any unfunded liability or deficit of any kind now or in future.

7. CEP and FP agree that bargaining unit members in New Brunswick who are in receipt of LTD benefits at the date of the sale to Newco will remain the responsibility of FP and their LTD benefits will be provided on the basis set out in the applicable collective agreement without considering the amendments to the LTD provision of the collective agreement that are part of the collective agreement amendments referred to above. LTD benefits will continue to be paid out of the health and welfare trust.

8. All CEP locals in New Brunswick will arrange for a ratification vote and provide a favourable recommendation to unionized employees by no later than March 10, 2010. The national office of the CEP will endorse the recommendation of the locals to support ratification of the new collective agreements in accordance with this term sheet.

Pension Plan and Claims

9. The parties share the goal of taking steps to minimize the impact of the restructuring of FP on pensioners and current and former employees. For this purpose, the parties agree to the following means of addressing the NB Plans.

10. FP will assign senior management to work diligently with the CEP and Davies Ward Phillips & Vineberg LLP, court-appointed representative counsel for the unrepresented

employees and former employees ("Davies") to pursue coverage under the Ontario Pension Benefit Guarantee Fund ("PBGF") for salaried and unionized employees and former employees who have earned service in Ontario (the "Ontario Members"), including of the former Thorold paper mill employees, in order to mitigate the impact of any pension deficiency on those members. If a commitment is received from the PBGF, the Ontario Members will be separated from the NB Hourly Plan and a wind up for the Ontario Members will be implemented.

11. FP will make any necessary application under the PBGF to seek such coverage.
12. FP will work diligently with the CEP and Davies to request the Province of Quebec to provide members of the defined benefit pension plans registered in the Province of Quebec (the "Quebec Plans") with the pension treatment contemplated by Section 230.0.0.1 to 230.0.11 of the Supplemental Pension Plans Act (the "SPPA") in Quebec so that members will have the option to transfer their assets out of the Quebec Plans to a vehicle administered by the Regie des rentes du Quebec (the "Regie") in accordance with the SPPA. FP and the CEP will also request the Province of Quebec to expand the availability and timeframe of this election beyond those members who are eligible for an immediate pension under the Quebec Plans upon termination of the plans.
13. FP will facilitate discussions between CEP and any purchaser of the Thurso facility.
14. The APA provides that Newco will establish a new defined contribution pension plan ("Newco DC Hourly Plan") for all future service of transferred unionized employees, which will contain the same defined contribution formula that currently exists under Appendix A of the existing NB Hourly Plan. No further credited service will accrue under the NB Hourly Plan following the closing of the APA, and there will no longer be any active members contributing to the NB Hourly Plan.
15. Newco will not have any liability (including any funding or pension benefit payment obligations) in respect of the existing NB Hourly Plan, and all liabilities will remain as unsecured obligations of FP with no recourse to Newco.
16. In accordance with paragraph 17(c), the NB Hourly Plan will receive, directly or indirectly, a *pro rata* share (based on the size of the NB Hourly Plan's claim relative to the aggregate claims of all unsecured creditors of the Applicants) of that portion of the consideration payable by Newco under the APA (49% equity in Newco and USD\$40 million promissory notes), which will be available to the Applicants' unsecured creditors in accordance with their respective priority. The *pro rata* share of the consideration held by the NB Hourly Plan is referred to herein as the "APA Consideration". The promissory notes comprising the APA Consideration shall have a term of eight (8) years, with all other promissory notes having a term of ten (10) years.
17. All parties request that the Province of New Brunswick (the "PNB") and the Superintendent of Pensions for New Brunswick (the "Superintendent") implement a structure and framework for addressing the existing deficit and claims under the NB Hourly Plan as follows:

(a) FP and CEP will jointly seek regulatory relief for the NB Hourly Plan by way of a Special Regulation that would:

- (i) exempt the NB Hourly Plan from certain funding obligations otherwise applicable on pension plan wind up under the NB Pension Benefits Act;
- (ii) if necessary, expire on the Final Wind Up Date (defined below), at which time the wind up of the NB Hourly Plan would be completed and a distribution of the available pension assets would occur;
- (iii) provide for a strict *pro rata* distribution of assets subject to each member receiving at least their own contributions with interest;
- (iv) not involve any guarantee or assurance by PNB with respect to the funded status of the NB Hourly Plan;
- (v) confirm that service and age are crystallized at the Original Wind Up Date and that earnings are frozen as at November 1, 2009;

(b) the Superintendent will order a wind up of the NB Hourly Plan effective prior to the closing of the APA and in conjunction with the Vesting Order to be obtained in the CCAA proceeding, at which time an administrator (the "Administrator") would be appointed over the NB Hourly Plan (the "Original Wind Up Date"). The Administrator will ensure that, other than with respect to adjustments to pensions, the administration of the NB Hourly Plan is continuous and there is no interruption of benefit payments to plan members. The transfer of the NB Hourly Plan will be in accordance with the relevant New Brunswick legislation. Until an Administrator is appointed for the NB Hourly Plan, FP will retain responsibility for administering the NB Hourly Plan;

(c) the APA Consideration will be deposited into a trust fund which will be settled by FP for the sole benefit of the NB Hourly Plan and will be separate and distinct from each of the NB Hourly Plan's pension funds (collectively, the "Outside Trust Fund");

(d) other than ongoing pensions which will continue or commence to be paid to retirees or surviving spouses from the NB Hourly Plan, or death benefits for active members, the purchase of annuities and distribution of pension assets from the NB Hourly Plan will not occur until:

- (i) the proceeds from the APA Consideration can be contributed to the NB Hourly Plan or the trustee of the Outside Trust Fund determines and advises the Superintendent that the APA Consideration will be distributed to the NB Hourly Plan in another manner; and
- (ii) the Administrator of the NB Hourly Plan makes a decision to purchase annuities and distribute the pension assets;

but in no event will the final wind up of the NB Hourly Plan be later than April 1, 2018 (the "Final Wind Up Date");

(e) subject to the oversight of the Superintendent, the Administrator will determine the percentage by which pension benefits are to be reduced, having regard to the potential value of the APA Consideration, with the opportunity for further adjustments subject to the financial position of the NB Hourly Plan;

(f) with respect to the Outside Trust Funds, the administration, appointment of trustee(s) and role and responsibilities of the trustees will be determined by the parties, subject to Court approval, and will include:

- (i) a provision to ensure that CEP has exclusive control in relation to the Outside Trust Fund for the NB Hourly Fund;
- (ii) the methodology for valuing the APA Consideration held in the Outside Trust Fund on a regular basis;
- (iii) the timing of redemption of the APA Consideration;
- (iv) voting of shares in Newco;
- (v) obligation to pay proceeds from the realization of the APA Consideration;
- (vi) reporting to unions, retirees and members; and
- (vii) the ability to retain experts and purchase fiduciary liability insurance, the funding for which will be addressed in the definitive documents.

(g) none of the PNB, the Superintendent, the Administrator of the NB Hourly Plan, the Applicants, CEP, BAM, Newco, or any trustees of the Outside Trust Fund will be liable for any decrease in the current value of the NB Hourly Plan assets at any time and for any reason other than fraud or gross negligence, and the beneficiaries of the NB Hourly Plan shall have no claim against any of those parties at any time.

Other Proceedings, Releases, Further Assurances

18. The labour board and grievance proceedings commenced by the CEP in Ontario, New Brunswick and Quebec as described in the tolling agreement dated January 8, 2010 will be withdrawn and terminated. No similar proceedings will be brought at any time relating in any way to the Applicants, the NB Hourly Plan, the defined benefit pension plan for salaried members in New Brunswick or the two defined benefit pension plans registered in the Province of Quebec (collectively, the four registered pension plans being referred to herein as the "Pension Plans") or any facts existing as at this date (whether known or unknown), and the withdrawal of the existing proceedings will operate as a complete bar to any further similar applications or proceedings.

19. CEP agrees that no arbitrator or any other decision maker or regulatory body will have jurisdiction to entertain any grievance or application or proceeding filed by the CEP, the pensioners or the employees against Newco or any affiliate of Newco with respect to the NB

Hourly Plan, save and except for a claim for collection of an amount due and not paid pursuant to paragraph 4 of this Term Sheet.

20. Each of: (i) the Applicants' directors and officers; and (ii) BAM and its directors and officers shall be released from all claims relating to all facts and circumstances in respect of the Applicants existing as at this date (whether known or unknown) and the completion of the APA.

21. PNB, the Superintendent and the Administrator(s) of the NB Hourly Plan shall be released from all claims in respect of the NB Hourly Plan existing as at this date (whether known or unknown) and the implementation of the wind up of the NB Hourly Plan and any actions contemplated by this Term Sheet.

22. The CEP will not take a position adverse to FP or Newco with respect to any action of the pension regulators in Quebec, New Brunswick or Ontario or the Canada Revenue Agency or any other regulator or administrative body that is taken against FP or Newco as a consequence of FP and Newco fulfilling their obligations under this Term Sheet.

23. Provided the APA closes by no later than April 9, 2010, FP agrees to reimburse actual expenses incurred by CEP (including legal and actuarial fees) in connection with the negotiation of this term sheet and definitive documentation up to the maximum amount of CDN\$50,000.

24. The parties will negotiate a definitive agreement to provide for the establishment of such other trust(s) or arrangements as may be appropriate for purposes of holding and distributing the balance of any consideration that may become payable by Newco under the APA to the Applicants' unsecured creditors.

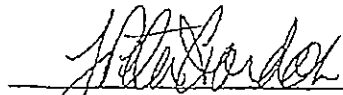
25. The parties will execute a definitive global agreement and ancillary documents for the purpose of giving effect to the terms contained herein and to more fully reflect the agreement in principle embodied in this Term Sheet, but not for the purpose of introducing any other term or substantive matter not otherwise addressed herein.

26. If any dispute arises in connection with the negotiation, execution and delivery of a definitive global agreement that cannot be resolved by the parties with the assistance of the Monitor, the parties agree that such issue can only be determined by motion brought within the CCAA proceeding.

27. This term sheet may be executed in counterparts. Each part, when taken together shall constitute one and the same agreement.

Dated at Toronto this 24th day of February, 2010.

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


Per: Peter Gordon
(I have authority to bind these parties)

THE MINISTER OF JUSTICE AND CONSUMER AFFAIRS
FOR THE PROVINCE OF NEW BRUNSWICK

Per: Suzanne Bonnell-Burley, Q.C.
(I have authority to bind this party)

THE SUPERINTENDENT OF PENSIONS FOR THE PROVINCE OF NEW
BRUNSWICK

Per: Angela Mazerolle Stephens
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA


Per: Fred Wilson
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Cleaning Staff)

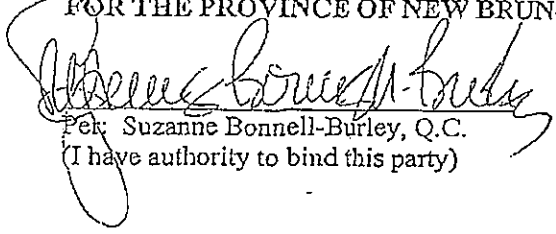
Per: Doris Lavoie
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Mill Workers)

Per: Doris Lavoie
(I have authority to bind this party)

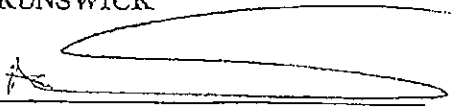
Per: Peter Gordon
(I have authority to bind these parties)

THE MINISTER OF JUSTICE AND CONSUMER AFFAIRS
FOR THE PROVINCE OF NEW BRUNSWICK



Per: Suzanne Bonnell-Burley, Q.C.
(I have authority to bind this party)

THE SUPERINTENDENT OF PENSIONS FOR THE PROVINCE OF NEW
BRUNSWICK



Per: Angela Mazerolle Stephens
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

Per: Fred Wilson
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Cleaning Staff)

Per: Doris Lavoie
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Mill Workers)

Per: Doris Lavoie
(I have authority to bind this party)

 Per: Peter Gordon
 (I have authority to bind these parties)

**THE MINISTER OF JUSTICE AND CONSUMER AFFAIRS
 FOR THE PROVINCE OF NEW BRUNSWICK**

 Per: Suzanne Bonnell-Burley, Q.C.
 (I have authority to bind this party)

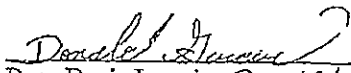
**THE SUPERINTENDENT OF PENSIONS FOR THE PROVINCE OF NEW
 BRUNSWICK**

 Per: Angela Mazerolle Stephens
 (I have authority to bind this party)

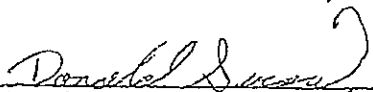
COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

 Per: Fred Wilson
 (I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
 LOCAL 29 (Cleaning Staff)**


 Per: ~~Doris-Lavoie~~ DONALD GIRARD
 (I have authority to bind this party)

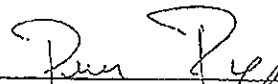
**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
 LOCAL 29 (Mill Workers)**


 Per: ~~Doris-Lavoie~~ DONALD GIRARD
 (I have authority to bind this party)

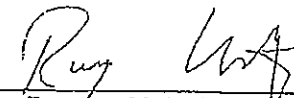
COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Office Workers)


Per: Denis Laveie- DONALD GIRARD
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 6N


Per: Pierre Picard
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 4N


Per: Raymond Martin
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 189 (Thurso)

Per:
(I have authority to bind this party)

LE SYNDICATE CANADIEN DES COMMUNICATIONS, DE L'ENERGIE ET DU
PAPIER, SECTION LOCAL 894 (Thurso)

Per: Christian Pilon
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Office Workers)

Per: Doris Lavoie
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 6N

Per: Pierre Picard
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 4N

Per: Raymond Martin
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 189 (Thurso)

Per:  WADE CORRIGAN
(I have authority to bind this party)

LE SYNDICATE CANADIEN DES COMMUNICATIONS, DE L'ENERGIE ET DU
PAPIER, SECTION LOCAL 894 (Thurso)

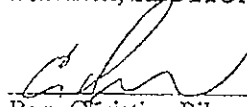
Per:  Christian Pilon
(I have authority to bind this party)

EXHIBIT “E”

Agreement, Undertaking and Release

Dated this 7 day of April, 2010.

TO: Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited, Fraser N.H. LLC

TO: The Minister of Justice and Consumer Affairs for the Province of New Brunswick

TO: The Superintendent of Pensions for the Province of New Brunswick

TO: Morneau Sobeco Limited Partnership, in its capacity as Administrator of the NB Hourly Plan and the NB Salaried Plan (each as defined herein)

(and in each case such party's directors, officers, employees, agents, successors and assigns).

WHEREAS:

- (a) the Communications, Energy and Paperworkers Union of Canada and its Edmundston Locals 29 (Mill), 29 (Cleaning Staff), 29 (Office, Clerical and Draftsperson), 4N and 6N and its Thurso Locals 189 and 894 (collectively, the "Union") entered into a Term Sheet for Global Agreement (the "Global Agreement") with Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited, Fraser N.H. LLC (collectively "FP" or the "Applicants"), the Minister of Justice and Consumer Affairs for the Province of New Brunswick ("PNB"), and the Superintendent of Pensions for the Province of New Brunswick (the "Superintendent");
- (b) an asset purchase agreement, as amended (the "APA") involving a sale of the Applicants' assets to Brookfield Asset Management Inc. ("BAM") or its designate ("Newco") was approved by the Ontario Superior Court of Justice by Order of Justice Pepall on December 10, 2009;
- (c) the Global Agreement was approved by the Ontario Superior Court of Justice by Order of Justice Pepall dated February 24, 2010 and as amended and approved by Order of Justice Pepall dated March 22, 2010;
- (d) pursuant to paragraph 17(g) of the Global Agreement, the Union agreed that none of the PNB, the Superintendent, the Administrator of the NB Hourly Plan, FP or any trustees of the Outside Trust Fund established in accordance with the Global Agreement (collectively, the "Releasees") or BAM or Newco would be liable for any decrease in the current value of the NB Hourly Plan assets at any time and for any reason other than fraud or gross negligence, and that the beneficiaries of the NB Hourly Plan shall have no claim against any of the Releasees at any time;

- (e) pursuant to paragraph 18 of the Global Agreement, the Union agreed to withdraw and terminate the labour board and grievance proceedings commenced by the Union in Ontario, New Brunswick and Quebec, each as described in the tolling agreement dated January 8, 2010 as amended by agreement dated February 26, 2010 (hereinafter the "Labour Board Proceedings" and the "Grievance Proceedings" respectively and collectively, the "Proceedings").
- (f) for greater certainty, the "Labour Board Proceedings" are:
 - (i) Application under Section 69 and/or Subsection 1(4) of the *Labour Relations Act* (Ontario) (Sale of Business and/or Related Employer) OLRB File No. 2838-09-R;
 - (ii) Requête pour déclaration d'employeur unique suivant Les Articles 39, 114 et 118 du Code du Travail (L.R.Q.c. C-27) Numéro AM-2000-5537, AM-2000-5536, AM-2000-5538; and
 - (iii) Two "*Demandes de déclaration des droits de successeur présentées à la Commission du travail et de l'emploi*" filed with the Labour and Employment Board on January 7, 2010 (File Numbers: IR-001-10 and IR-002-10);
- (g) for greater certainty, the "Grievance Proceedings" are:
 - (i) Ontario Grievance dated December 17, 2009;
 - (ii) Grievance of Local 894 dated November 12, 2009, #61719;
 - (iii) Grievance of Local 894 dated November 12, 2009, #61720;
 - (iv) Grievance of Local 894 dated December 22, 2009, #64523;
 - (v) Grievance of Local 189 dated November 16, 2009, #53590;
 - (vi) Grievance of Local 189 dated November 16, 2009, #53589; and
 - (vii) Grievance of Local 189 dated December 22, 2009, #53593;
- (h) pursuant to paragraph 18 of the Global Agreement, the Union further agreed that no similar Proceedings would be brought at any time relating in any way to the Applicants, the NB Hourly Plan, the defined benefit pension plan for salaried members in New Brunswick or the two defined benefit pension plans registered in the Province of Quebec (collectively the "Pension Plans") or any facts existing as at February 24, 2010 (whether known or unknown), and that the withdrawal of the Proceedings would operate as a complete bar to any further similar applications or proceedings;
- (i) pursuant to paragraph 20 of the Global Agreement, the Union agreed to release each of FP's directors and officers from all claims relating to all facts and circumstances in

respect of FP existing as at February 24, 2010 (whether known or unknown) and the completion of the APA;

- (j) pursuant to paragraph 21 of the Global Agreement, the Union agreed to release the PNB, the Superintendent and the Administrator(s) of the NB Hourly Plan of all claims in respect of the NB Hourly Plans existing as at February 24, 2010 (whether known or unknown) and the implementation of the wind up of the NB Hourly Plan and any actions contemplated by the Global Agreement; and
- (k) pursuant to paragraph 22 of the Global Agreement, the Union agreed that it would not take a position adverse to FP with respect to any action of the pension regulators in Quebec, New Brunswick or Ontario or the Canada Revenue Agency or any other regulator or administrative body that is taken against FP as a consequence of FP fulfilling its obligations under the Global Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged, the Union hereby agrees to, and in favour of each of the addresses listed above, as follows:

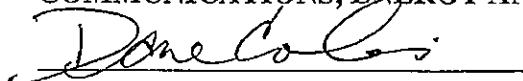
1. On behalf of themselves, their members, former members and beneficiaries of the NB Hourly Plan, the Union hereby fully and finally releases and forever discharges each of the Releasees from any and all actions, causes of action, claims, demands and proceedings of whatever kind for damages, indemnity, costs, compensation or any other remedy which the Union, its members, its former members and beneficiaries of the NB Hourly Plan had, may now have, or may have in the future arising out of any decrease in the value of the NB Hourly Plan assets at any time and for any reason other than fraud or gross negligence from the value as at February 24, 2010;
2. the Union hereby undertakes to irrevocably withdraw and terminate the Labour Board Proceedings by sending a letter substantially in the form attached hereto as Appendix A within two (2) days of the closing of the APA transaction, to each labour board to withdraw and terminate each Labour Board Proceeding, effective as of the closing of the transaction as set out in the APA, and to otherwise take any action as may be necessary to withdraw and terminate the Labour Board Proceedings;
3. the Union hereby withdraws and terminates its Grievance Proceedings with prejudice. This Agreement and Release shall constitute the sole document required to terminate the Grievance Proceedings and no further documents, releases or agreements shall be required to give effect to the withdrawal and termination of the Grievance Proceedings;
4. no similar proceedings will be brought at any time relating in any way to the Applicants, the NB Hourly Plan, the defined benefit pension plan for salaried members in New Brunswick or the two defined benefit pension plans registered in the Province of Quebec (collectively the "Pension Plans") or in respect of any facts existing as at February 24, 2010 (whether known or unknown), and that the withdrawal of the Proceedings will operate as a complete bar to any further similar actions or proceedings;

5. the Union hereby irrevocably, fully and finally releases each of FP's directors and officers from all claims relating to all facts and circumstances in respect of FP existing as at February 24, 2010 (whether known or unknown) and the completion of the APA;
6. the Union hereby releases the PNB, the Superintendent and the Administrator of the NB Hourly Plan of all claims in respect of the NB Hourly Plan existing as of February 24, 2010 (whether known or unknown) and the implementation of the wind up of the NB Hourly Plan and any actions contemplated by the Global Agreement; and
7. the Union hereby agrees that it will not take a position adverse to FP with respect to any action of the pension regulators in Quebec, New Brunswick or Ontario or the Canada Revenue Agency or any other regulator or administrative body that is taken against FP as a consequence of FP fulfilling its obligations under the Global Agreement.

This Agreement, Undertaking and Release may be executed in counterparts which, when taken together constitute the whole Agreement, Undertaking and Release.

DATED AS OF THIS 7 DAY of APRIL, 2010

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA


Per: ~~Fred Wilson~~
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Mill Workers)**

Per: Doris Lavoie
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Cleaning Staff)**

Per: Doris Lavoie
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Office, Clerical and Draftsmen Personnel)**

5. the Union hereby irrevocably, fully and finally releases each of FP's directors and officers from all claims relating to all facts and circumstances in respect of FP existing as at February 24, 2010 (whether known or unknown) and the completion of the APA;
6. the Union hereby releases the PNB, the Superintendent and the Administrator of the NB Hourly Plan of all claims in respect of the NB Hourly Plan existing as of February 24, 2010 (whether known or unknown) and the implementation of the wind up of the NB Hourly Plan and any actions contemplated by the Global Agreement; and
7. the Union hereby agrees that it will not take a position adverse to FP with respect to any action of the pension regulators in Quebec, New Brunswick or Ontario or the Canada Revenue Agency or any other regulator or administrative body that is taken against FP as a consequence of FP fulfilling its obligations under the Global Agreement.

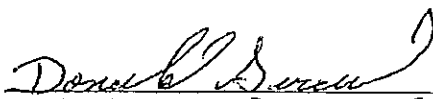
This Agreement, Undertaking and Release may be executed in counterparts which, when taken together constitute the whole Agreement, Undertaking and Release.

DATED AS OF THIS _____ DAY of APRIL, 2010

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

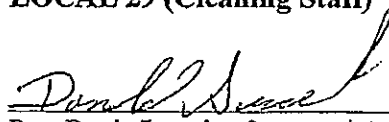
Per: Fred Wilson
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Mill Workers)**



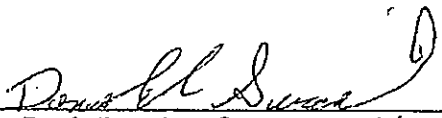
Per: ~~Doris Lavoie~~ DONALD GIRARD
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Cleaning Staff)**

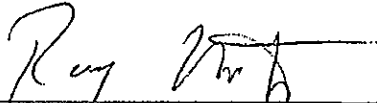


Per: ~~Doris Lavoie~~ DONALD GIRARD
(I have authority to bind these parties)

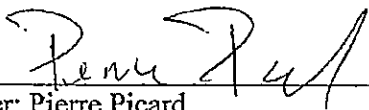
**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Office, Clerical and Draftsmen Personnel)**


Per: ~~Doris Laveie~~ DONALD GIRARD
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 4N**


Per: Raymond Martin
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 6N**


Per: Pierre Picard
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 189**

Per:
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 894**

Per:
(I have authority to bind these parties)

Per: Doris Lavoie
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 4N**

Per: Raymond Martin
(I have authority to bind this party)

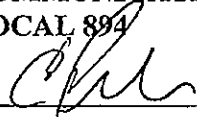
**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 6N**

Per: Pierre Picard
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 189**

Per: 
WADE CURREN
(I have authority to bind these parties)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 894**

Per: 
(I have authority to bind these parties)

CaleyWray

LABOUR/EMPLOYMENT LAWYERS

1600-65 Queen Street West
Toronto ON M5H 2M5

Jesse Kugler

Direct Line: 416-775-4677

Toll Free: 1-866-691-3763

Fax: 416-366-3293

Email: kuglerj@caleywrap.com

File No. 25477

April 26, 2010

FAXED AND MAILED

Mr. Tim R. Parker
Registrar
ONTARIO LABOUR RELATIONS BOARD
505 University Avenue
2nd Floor
Toronto, ON M5G 2P1

Dear Mr. Parker:

RE: APPLICATION UNDER SECTION 69 AND/OR SUBSECTION 1(4) OF THE LABOUR RELATIONS ACT (ONTARIO) (SALE OF BUSINESS AND/OR RELATED EMPLOYER) BY COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA AND ITS LOCAL 290, APPLICANT, V. NORANDA FOREST INC., FRASER PAPERS INC., NORBORD INC. AND BROOKFIELD ASSET MANAGEMENT INC. - OLRB FILE NO. 2838-09-R

We are counsel to the Applicant in respect of this matter.

The Applicant, the Communications, Energy and Paperworkers Union of Canada, requests leave of the Board to withdraw this Application effective April 28, 2010 on a without prejudice basis.

Yours truly,
CaleyWray



Jesse Kugler
JK/jmm

cc: Ms. D.J. Miller, Thornton Grout
Mr. S. Shamie, Hicks Morley
Mr. R. Chadwick, Goodmans
Mr. D. Chernos, Torgs
Mr. W. Anderson, Blaney

Mr. D. Coles
Mr. F. Wilson
Mr. K. Ginter

EXHIBIT “F”



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

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

THE HONOURABLE) **WEDNESDAY, THE 24TH DAY**
)
JUSTICE PEPALL) **OF FEBRUARY, 2010**

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

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

Applicants

ORDER

THIS MOTION made by the Applicants for the relief sought in the Notice of Motion herein dated February 20, 2010, was heard this day at 330 University Avenue, in the City of Toronto, Ontario.

ON READING the affidavit of J. Peter Gordon sworn February 20, 2010 (the "February Gordon Affidavit"), the Affidavit of J. Peter Gordon sworn December 3, 2009, the Eighth and Ninth Reports of PricewaterhouseCoopers Inc., in its capacity as court-appointed Monitor, the Supplementary Report to the Monitor's Ninth Report;

ON HEARING submissions of counsel for the Applicants, the Monitor, CIT Business Credit Canada Inc., Brookfield Asset Management Inc. ("BAM"), The Province of New Brunswick ("NB"), Communications, Energy and Paperworkers Union of Canada ("CEP"), the

Committee Representing Unrepresented Employees and Former Employees (the "Committee") *Tang*
Madawaska + the water district of Madawaska, Superintendent of
and certain other counsel in attendance;
Riverview, the USW;
services of others

AND UPON BEING ADVISED that agreements in principle have been reached: (i) among the Applicants, CEP and NB (the "Global Agreement Term Sheet"); and (ii) between the Applicants and NB on behalf of Business New Brunswick with respect to certain outstanding letters of credit relating to the Applicants' cogeneration facility in Edmundston;

Service

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

Extension of Stay Period

2. **THIS COURT ORDERS** that the Stay Period as described in the Order of this Honourable Court dated June 18, 2009, as amended, be and is hereby extended to and including April 9, 2010.

Approval of Global Agreement Term Sheet

3. **THIS COURT ORDERS** that the Global Agreement Term Sheet entered into by the Applicants, CEP and NB and annexed as Schedule "A" to this Order be, and it is hereby approved. *For greater certainty, approval of the Global Agreement Term Sheet shall not be taken as precluding the right of any person to subsequently raise issues with respect to the allocation or distribution of proceeds, or final approval of the APA (as defined herein).*

APA Transaction

4. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to execute and deliver such amendments to the asset purchase agreement dated as of December 22, 2009 between the Applicants and BAM or its designate (the "APA") as may be necessary or desirable to reflect, among other things, the Termination Date (as such term is defined in section 15.2(c)(v) of the APA), an increase in the Expense Cap (as defined in the APA and as described in section 16.3 thereof) from \$1 million to \$1.5 million, or any other terms of the APA as may be agreed to by the Applicants and BAM, including as it relates to the provisions of the Global Agreement Term Sheet.
5. **THIS COURT ORDERS** that the Applicants are hereby authorized to negotiate, execute and deliver all definitive documentation to permit the closing of the APA transaction, including as it relates to the Global Agreement Term Sheet.
6. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, the APA remains subject to final approval of this Honourable Court on a motion returnable prior to any closing of the sale transaction under the APA.
7. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to re-attend before this Honourable Court prior to March 31, 2010 to obtain final approval of the APA, a Vesting Order and related relief to permit the closing of the APA transaction on terms satisfactory to the parties.
8. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, all rights of CIT and BAM be, and are hereby reserved.

✓ an extension of - SMP
✓ and the Monitor - SMP

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such Orders and to provide such assistance to the Applicants and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.
10. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

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Sturges, C.

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

FEB 24 2010

PER / PAR: *SL* Joanne Nicoara
Registrar, Superior Court of Justice

TERM SHEET FOR GLOBAL AGREEMENT

Each of the undersigned parties agree to the following:

Sale of Specialty Papers Business

1. The specialty papers business of Fraser Papers Inc. ("FP") and its affiliates under the CCAA proceeding (collectively, the "Applicants") will be sold to a new company or companies pursuant to the Asset Purchase Agreement ("APA") approved by the court on December 10, 2009.
2. Neither Brookfield Asset Management Inc. ("BAM") nor its designate under the APA ("Newco") will have any liability for any obligations or liabilities whatsoever in connection with the registered pension plan in New Brunswick for hourly employees (the "NB Hourly Plan") or for any termination, severance or related amounts which any current or former employee of the Applicants could assert against the Applicants.
3. FP will request that Newco: (i) allow the CEP national union to nominate one of the two independent directors to Newco's board of directors; (ii) allow the other unsecured creditors of FP to nominate the second independent director to Newco's board of directors; and (iii) ensure that the independent directors of Newco are approved by the majority of the three non-independent directors and have the same rights and responsibilities as the three non-independent directors of Newco.
4. On closing of the APA, FP will deliver an irrevocable Direction to Newco to direct that the following fixed payments be made to the Outside Trust Fund [as defined in paragraph 18(c)] on the following dates in consideration for the closing of the APA:
 - (a) October 1, 2011: CDN\$437,500
 - (b) March 31, 2012: CDN\$437,500
 - (c) October 1, 2012: CDN\$437,500
 - (d) March 31, 2013: CDN\$437,500
 - (e) October 1, 2013: CDN\$437,500
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 - (g) October 1, 2014: CDN\$437,500
 - (h) March 31, 2015: CDN\$437,500

- (i) October 1, 2015: CDN\$437,500
- (j) March 31, 2016: CDN\$437,500
- (k) October 1, 2016: CDN\$437,500
- (l) March 31, 2017: CDN\$437,500
- (m) October 1, 2017: CDN\$437,500
- (n) March 31, 2018: CDN\$437,500

Collective Agreements and Related Agreements

5. All existing collective agreements with the exception of Thurso will be amended through a signed Memorandum of Settlement with each union local to delete all references to the existing defined benefit pension plans.

6. The collective agreements between CEP and FP will be amended to reflect that FP agrees to discuss with CEP the possibility of replacing the defined contribution pension plan under the existing collective agreements in New Brunswick (the "DC Plan"), with a fixed contribution pension plan for future years of service. If FP and CEP reach such agreement, FP's obligation or liability in respect of such plan shall not exceed the contribution set out in the collective agreement for the DC Plan, and FP shall have no obligation in respect of any unfunded liability or deficit of any kind now or in future.

7. CEP and FP agree that bargaining unit members in New Brunswick who are in receipt of LTD benefits at the date of the sale to Newco will remain the responsibility of FP and their LTD benefits will be provided on the basis set out in the applicable collective agreement without considering the amendments to the LTD provision of the collective agreement that are part of the collective agreement amendments referred to above. LTD benefits will continue to be paid out of the health and welfare trust.

8. All CEP locals in New Brunswick will arrange for a ratification vote and provide a favourable recommendation to unionized employees by no later than March 10, 2010. The national office of the CEP will endorse the recommendation of the locals to support ratification of the new collective agreements in accordance with this term sheet.

Pension Plan and Claims

9. The parties share the goal of taking steps to minimize the impact of the restructuring of FP on pensioners and current and former employees. For this purpose, the parties agree to the following means of addressing the NB Plans.

10. FP will assign senior management to work diligently with the CEP and Davies Ward Phillips & Vineberg LLP, court-appointed representative counsel for the unrepresented employees and former employees ("Davies") to pursue coverage under the Ontario Pension Benefit Guarantee Fund ("PBGF") for salaried and unionized employees and former employees

who have earned service in Ontario (the "Ontario Members"), including of the former Thorold paper mill employees, in order to mitigate the impact of any pension deficiency on those members. If a commitment is received from the PBGF, the Ontario Members will be separated from the NB Hourly Plan and a wind up for the Ontario Members will be implemented.

11. FP will make any necessary application under the PBGF to seek such coverage.
12. FP will work diligently with the CEP and Davies to request the Province of Quebec to provide members of the defined benefit pension plans registered in the Province of Quebec (the "Quebec Plans") with the pension treatment contemplated by Section 230.0.0.1 to 230.0.11 of the Supplemental Pension Plans Act (the "SPPA") in Quebec so that members will have the option to transfer their assets out of the Quebec Plans to a vehicle administered by the Regie des rentes du Quebec (the "Regie") in accordance with the SPPA. FP and the CEP will also request the Province of Quebec to expand the availability and timeframe of this election beyond those members who are eligible for an immediate pension under the Quebec Plans upon termination of the plans.
13. FP will facilitate discussions between CEP and any purchaser of the Thurso facility.
14. The APA provides that Newco will establish a new defined contribution pension plan ("Newco DC Hourly Plan") for all future service of transferred unionized employees, which will contain the same defined contribution formula that currently exists under Appendix A of the existing NB Hourly Plan. No further credited service will accrue under the NB Hourly Plan following the closing of the APA, and there will no longer be any active members contributing to the NB Hourly Plan.
15. Newco will not have any liability (including any funding or pension benefit payment obligations) in respect of the existing NB Hourly Plan, and all liabilities will remain as unsecured obligations of FP with no recourse to Newco.
16. In accordance with paragraph 17(c), the NB Hourly Plan will receive, directly or indirectly, a *pro rata* share (based on the size of the NB Hourly Plan's claim relative to the aggregate claims of all unsecured creditors of the Applicants) of that portion of the consideration payable by Newco under the APA (49% equity in Newco and USD\$40 million promissory notes), which will be available to the Applicants' unsecured creditors in accordance with their respective priority. The *pro rata* share of the consideration held by the NB Hourly Plan is referred to herein as the "APA Consideration". The promissory notes comprising the APA Consideration shall have a term of eight (8) years, with all other promissory notes having a term of ten (10) years.
17. All parties request that the Province of New Brunswick (the "PNB") and the Superintendent of Pensions for New Brunswick (the "Superintendent") implement a structure and framework for addressing the existing deficit and claims under the NB Hourly Plan as follows:
 - (a) FP and CEP will jointly seek regulatory relief for the NB Hourly Plan by way of a Special Regulation that would:

- (i) exempt the NB Hourly Plan from certain funding obligations otherwise applicable on pension plan wind up under the NB Pension Benefits Act;
 - (ii) if necessary, expire on the Final Wind Up Date (defined below), at which time the wind up of the NB Hourly Plan would be completed and a distribution of the available pension assets would occur;
 - (iii) provide for a strict *pro rata* distribution of assets subject to each member receiving at least their own contributions with interest;
 - (iv) not involve any guarantee or assurance by PNB with respect to the funded status of the NB Hourly Plan;
 - (v) confirm that service and age are crystallized at the Original Wind Up Date and that earnings are frozen as at November 1, 2009;
- (b) the Superintendent will order a wind up of the NB Hourly Plan effective prior to the closing of the APA and in conjunction with the Vesting Order to be obtained in the CCAA proceeding, at which time an administrator (the "Administrator") would be appointed over the NB Hourly Plan (the "Original Wind Up Date"). The Administrator will ensure that, other than with respect to adjustments to pensions, the administration of the NB Hourly Plan is continuous and there is no interruption of benefit payments to plan members. The transfer of the NB Hourly Plan will be in accordance with the relevant New Brunswick legislation. Until an Administrator is appointed for the NB Hourly Plan, FP will retain responsibility for administering the NB Hourly Plan;
- (c) the APA Consideration will be deposited into a trust fund which will be settled by FP for the sole benefit of the NB Hourly Plan and will be separate and distinct from each of the NB Hourly Plan's pension funds (collectively, the "Outside Trust Fund");
- (d) other than ongoing pensions which will continue or commence to be paid to retirees or surviving spouses from the NB Hourly Plan, or death benefits for active members, the purchase of annuities and distribution of pension assets from the NB Hourly Plan will not occur until:
- (i) the proceeds from the APA Consideration can be contributed to the NB Hourly Plan or the trustee of the Outside Trust Fund determines and advises the Superintendent that the APA Consideration will not be distributed to the NB Hourly Plan in another manner; and
 - (ii) the Administrator of the NB Hourly Plan makes a decision to purchase annuities and distribute the pension assets;
- but in no event will the final wind up of the NB Hourly Plan be later than April 1, 2018 (the "Final Wind Up Date");
- (e) subject to the oversight of the Superintendent, the Administrator will determine the percentage by which pension benefits are to be reduced, having regard to the potential

value of the APA Consideration, with the opportunity for further adjustments subject to the financial position of the NB Hourly Plan;

(f) with respect to the Outside Trust Funds, the administration, appointment of trustee(s) and role and responsibilities of the trustees will be determined by the parties, subject to Court approval, and will include:

- (i) a provision to ensure that CEP has exclusive control in relation to the Outside Trust Fund for the NB Hourly Fund;
- (ii) the methodology for valuing the APA Consideration held in the Outside Trust Fund on a regular basis;
- (iii) the timing of redemption of the APA Consideration;
- (iv) voting of shares in Newco;
- (v) obligation to pay proceeds from the realization of the APA Consideration;
- (vi) reporting to unions, retirees and members; and
- (vii) the ability to retain experts and purchase fiduciary liability insurance, the funding for which will be addressed in the definitive documents.

(g) none of the PNB, the Superintendent, the Administrator of the NB Hourly Plan, the Applicants, CEP, BAM, Newco, or any trustees of the Outside Trust Fund will be liable for any decrease in the current value of the NB Hourly Plan assets at any time and for any reason other than fraud or gross negligence, and the beneficiaries of the NB Hourly Plan shall have no claim against any of those parties at any time.

Other Proceedings, Releases, Further Assurances

18. The labour board and grievance proceedings commenced by the CEP in Ontario, New Brunswick and Quebec as described in the tolling agreement dated January 8, 2010 will be withdrawn and terminated. No similar proceedings will be brought at any time relating in any way to the Applicants, the NB Hourly Plan, the defined benefit pension plan for salaried members in New Brunswick or the two defined benefit pension plans registered in the Province of Quebec (collectively, the four registered pension plans being referred to herein as the "Pension Plans") or any facts existing as at this date (whether known or unknown), and the withdrawal of the existing proceedings will operate as a complete bar to any further similar applications or proceedings.

19. CEP agrees that no arbitrator or any other decision maker or regulatory body will have jurisdiction to entertain any grievance or application or proceeding filed by the CEP, the pensioners or the employees against Newco or any affiliate of Newco with respect to the NB Hourly Plan, save and except for a claim for collection of an amount due and not paid pursuant to paragraph 4 of this Term Sheet.

20. Each of: (i) the Applicants' directors and officers; and (ii) BAM and its directors and officers shall be released from all claims relating to all facts and circumstances in respect of the Applicants existing as at this date (whether known or unknown) and the completion of the APA.

21. PNB, the Superintendent and the Administrator(s) of the NB Hourly Plan shall be released from all claims in respect of the NB Hourly Plan existing as at this date (whether known or unknown) and the implementation of the wind up of the NB Hourly Plan and any actions contemplated by this Term Sheet.

22. The CEP will not take a position adverse to FP or Newco with respect to any action of the pension regulators in Quebec, New Brunswick or Ontario or the Canada Revenue Agency or any other regulator or administrative body that is taken against FP or Newco as a consequence of FP and Newco fulfilling their obligations under this Term Sheet.

23. Provided the APA closes by no later than March 31, 2010, FP agrees to reimburse actual expenses incurred by CEP (including legal and actuarial fees) in connection with the negotiation of this term sheet and definitive documentation up to the maximum amount of CDN\$50,000.

24. The parties will negotiate a definitive agreement to provide for the establishment of such other trust(s) or arrangements as may be appropriate for purposes of holding and distributing the balance of any consideration that may become payable by Newco under the APA to the Applicants' unsecured creditors.

25. The parties will execute a definitive global agreement and ancillary documents for the purpose of giving effect to the terms contained herein and to more fully reflect the agreement in principle embodied in this Term Sheet, but not for the purpose of introducing any other term or substantive matter not otherwise addressed herein.

26. If any dispute arises in connection with the negotiation, execution and delivery of a definitive global agreement that cannot be resolved by the parties with the assistance of the Monitor, the parties agree that such issue can only be determined by motion brought within the CCAA proceeding.

27. This term sheet may be executed in counterparts. Each part, when taken together shall constitute one and the same agreement.

Dated at Toronto this 24th day of February, 2010.

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

Per: Peter Gordon
(I have authority to bind these parties)

**THE MINISTER OF JUSTICE AND CONSUMER AFFAIRS
FOR THE PROVINCE OF NEW BRUNSWICK**

Per: Suzanne Bonnell-Burley, Q.C.
(I have authority to bind this party)

**THE SUPERINTENDENT OF PENSIONS FOR THE PROVINCE OF NEW
BRUNSWICK**

Per: Angela Mazerolle Stephens
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

Per: Fred Wilson
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Cleaning Staff)**

Per: Doris Lavoie
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Office Workers)**

Per: Doris Lavoie
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 6N**

Per: Pierre Picard
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 4N**

Per: Raymond Martin
(I have authority to bind this party)

**LE SYNDICATE CANADIEN DES COMMUNICATIONS, DE L'ENERGIE ET DU
PAPIER, SECTION LOCAL 894 (Thurso)**

Per: Christian Pilon
(I have authority to bind this party)

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

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO FRASER PAPERS INC.,
FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LTD., FRASER PAPERS LIMITED and FRASER N.H. LLC
(collectively, the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, ON M5K 1K7

Robert I. Thornton (LSUC# 24266B 1B)
Michael E. Barrack (LSUC# 21941W)
D.J. Miller (LSUC# 34393P)

Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants

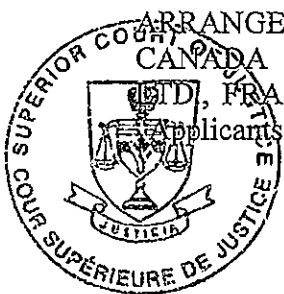
EXHIBIT “G”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM) **MONDAY, THE 22nd DAY**
)
JUSTICE PEPALL) **OF MARCH, 2010**

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

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT WITH RESPECT TO **FRASER PAPERS INC.**, FPS
CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER
LTD., FRASER PAPERS LIMITED and FRASER N.H. LLC (collectively, the
Applicants")



ORDER

THIS MOTION, made by the Applicants for an Order amending the Order of this Court dated February 24, 2010, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Consent of the parties, filed, and on hearing the submissions of counsel for the Applicants, no other counsel appearing;

1. **THIS COURT ORDERS** that the reference to "March 31, 2010" in paragraph 7 of the Order dated February 24, 2010 (the "February Order") shall be deleted and replaced with "April 9, 2010."
2. **THIS COURT ORDERS** that the Term Sheet for Global Agreement annexed as Schedule "A" to the February Order (the "Term Sheet") is hereby amended by agreement of the parties in accordance with the black-lined version of the Term Sheet annexed as Schedule "A" to this Order.

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

MAR 22 2010

PER / PAR: *TV*

J. Pepall

TERM SHEET FOR GLOBAL AGREEMENT

Each of the undersigned parties agree to the following:

Sale of Specialty Papers Business

1. The specialty papers business of Fraser Papers Inc. ("FP") and its affiliates under the CCAA proceeding (collectively, the "Applicants") will be sold to a new company or companies pursuant to the Asset Purchase Agreement ("APA") approved by the court on December 10, 2009.
2. Neither Brookfield Asset Management Inc. ("BAM") nor its designate under the APA ("Newco") will have any liability for any obligations or liabilities whatsoever in connection with the registered pension plan in New Brunswick for hourly employees (the "NB Hourly Plan"), the registered pension plan in Quebec for hourly employees (the "Quebec Hourly Plan") (the "NB Hourly Plan and the Quebec Hourly Plan being collectively, the "Plans") or for any termination, severance or related amounts which any current or former employee of the Applicants could assert against the Applicants.
3. FP will request that Newco: (i) allow the CEP national union to nominate one of the two independent directors to Newco's board of directors; (ii) allow the other unsecured creditors of FP to nominate the second independent director to Newco's board of directors; and (iii) ensure that the independent directors of Newco are approved by the majority of the three non-independent directors and have the same rights and responsibilities as the three non-independent directors of Newco.
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Collective Agreements and Related Agreements

5. All existing collective agreements with the exception of Thurso will be amended through a signed Memorandum of Settlement with each union local to delete all references to the existing defined benefit pension plans.

6. The collective agreements between CEP and FP will be amended to reflect that FP agrees to discuss with CEP the possibility of replacing the defined contribution pension plan under the existing collective agreements in New Brunswick (the "DC Plan"), with a fixed contribution pension plan for future years of service. If FP and CEP reach such agreement, FP's obligation or liability in respect of such plan shall not exceed the contribution set out in the collective agreement for the DC Plan, and FP shall have no obligation in respect of any unfunded liability or deficit of any kind now or in future.

7. CEP and FP agree that bargaining unit members in New Brunswick who are in receipt of LTD benefits at the date of the sale to Newco will remain the responsibility of FP and their LTD benefits will be provided on the basis set out in the applicable collective agreement without considering the amendments to the LTD provision of the collective agreement that are part of the collective agreement amendments referred to above. LTD benefits will continue to be paid out of the health and welfare trust.

8. All CEP locals in New Brunswick will arrange for a ratification vote and provide a favourable recommendation to unionized employees by no later than March 10, 2010. The national office of the CEP will endorse the recommendation of the locals to support ratification of the new collective agreements in accordance with this term sheet.

Pension Plan and Claims

9. The parties share the goal of taking steps to minimize the impact of the restructuring of FP on pensioners and current and former employees. For this purpose, the parties agree to the following means of addressing the NB Plans.

10. FP will assign senior management to work diligently with the CEP and Davies Ward Phillips & Vineberg LLP, court-appointed representative counsel for the unrepresented employees

and former employees ("Davies") to pursue coverage under the Ontario Pension Benefit Guarantee Fund ("PBGF") for salaried and unionized employees and former employees who have earned service in Ontario (the "Ontario Members"), including of the former Thorold paper mill employees, in order to mitigate the impact of any pension deficiency on those members. If a commitment is received from the PBGF, the Ontario Members will be separated from the NB Hourly Plan and a wind up for the Ontario Members will be implemented.

11. FP will make any necessary application under the PBGF to seek such coverage.

12. FP will work diligently with the CEP and Davies to request the Province of Quebec to provide members of the defined benefit pension plans registered in the Province of Quebec (the "Quebec Plans") with the pension treatment contemplated by Section 230.0.0.1 to 230.0.11 of the Supplemental Pension Plans Act (the "SPPA") in Quebec so that members will have the option to transfer their assets out of the Quebec Plans to a vehicle administered by the Regie des rentes du Quebec (the "Regie") in accordance with the SPPA. FP and the CEP will also request the Province of Quebec to expand the availability and timeframe of this election beyond those members who are eligible for an immediate pension under the Quebec Plans upon termination of the plans.

13. FP will facilitate discussions between CEP and any purchaser of the Thurso facility.

14. The APA provides that Newco will establish a new defined contribution pension plan ("Newco DC Hourly Plan") for all future service of transferred unionized employees, which will contain the same defined contribution formula that currently exists under Appendix A of the existing NB Hourly Plan. No further credited service will accrue under the NB Hourly Plan following the closing of the APA, and there will no longer be any active members contributing to the NB Hourly Plan.

15. Newco will not have any liability (including any funding or pension benefit payment obligations) in respect of the existing NB Hourly Plan, and all liabilities will remain as unsecured obligations of FP with no recourse to Newco.

16. In accordance with paragraph 17(c), the NB Hourly Plan will receive, directly or indirectly, a *pro rata* share (based on the size of the NB Hourly Plan's claim relative to the aggregate claims of all unsecured creditors of the Applicants) of that portion of the consideration payable by Newco under the APA (49% equity in Newco and USD\$40 million promissory notes), which will be available to the Applicants' unsecured creditors in accordance with their respective priority. The *pro rata* share of the consideration held by the NB Hourly Plan is referred to herein as the "APA Consideration". The promissory notes comprising the APA Consideration shall have a term of eight (8) years, with all other promissory notes having a term of ten (10) years.

17. All parties request that the Province of New Brunswick (the "PNB") and the Superintendent of Pensions for New Brunswick (the "Superintendent") implement a structure and framework for addressing the existing deficit and claims under the NB Hourly Plan as follows:

(a) FP and CEP will jointly seek regulatory relief for the NB Hourly Plan by way of a Special Regulation that would:

- (i) exempt the NB Hourly Plan from certain funding obligations otherwise applicable on pension plan wind up under the NB Pension Benefits Act;
 - (ii) if necessary, expire on the Final Wind Up Date (defined below), at which time the wind up of the NB Hourly Plan would be completed and a distribution of the available pension assets would occur;
 - (iii) provide for a strict *pro rata* distribution of assets subject to each member receiving at least their own contributions with interest;
 - (iv) not involve any guarantee or assurance by PNB with respect to the funded status of the NB Hourly Plan;
 - (v) confirm that service and age are crystallized at the Original Wind Up Date and that earnings are frozen as at November 1, 2009;
- (b) the Superintendent will order a wind up of the NB Hourly Plan effective prior to the closing of the APA and in conjunction with the Vesting Order to be obtained in the CCAA proceeding, at which time an administrator (the "Administrator") would be appointed over the NB Hourly Plan (the "Original Wind Up Date"). The Administrator will ensure that, other than with respect to adjustments to pensions, the administration of the NB Hourly Plan is continuous and there is no interruption of benefit payments to plan members. The transfer of the NB Hourly Plan will be in accordance with the relevant New Brunswick legislation. Until an Administrator is appointed for the NB Hourly Plan, FP will retain responsibility for administering the NB Hourly Plan;
- (c) the APA Consideration will be deposited into a trust fund which will be settled by FP for the sole benefit of the NB Hourly Plan and will be separate and distinct from each of the NB Hourly Plan's pension funds (collectively, the "Outside Trust Fund");
- (d) other than ongoing pensions which will continue or commence to be paid to retirees or surviving spouses from the NB Hourly Plan, or death benefits for active members, the purchase of annuities and distribution of pension assets from the NB Hourly Plan will not occur until:
- (i) the proceeds from the APA Consideration can be contributed to the NB Hourly Plan or the trustee of the Outside Trust Fund determines and advises the Superintendent that the APA Consideration will ~~not~~ be distributed to the NB Hourly Plan in another manner; and
 - (ii) the Administrator of the NB Hourly Plan makes a decision to purchase annuities and distribute the pension assets;
- but in no event will the final wind up of the NB Hourly Plan be later than April 1, 2018 (the "Final Wind Up Date");
- (e) subject to the oversight of the Superintendent, the Administrator will determine the percentage by which pension benefits are to be reduced, having regard to the potential

value of the APA Consideration, with the opportunity for further adjustments subject to the financial position of the NB Hourly Plan;

(f) with respect to the Outside Trust Funds, the administration, appointment of trustee(s) and role and responsibilities of the trustees will be determined by the parties, subject to Court approval, and will include:

- (i) a provision to ensure that CEP has exclusive control in relation to the Outside Trust Fund for the NB Hourly Fund;
- (ii) the methodology for valuing the APA Consideration held in the Outside Trust Fund on a regular basis;
- (iii) the timing of redemption of the APA Consideration;
- (iv) voting of shares in Newco;
- (v) obligation to pay proceeds from the realization of the APA Consideration;
- (vi) reporting to unions, retirees and members; and
- (vii) the ability to retain experts and purchase fiduciary liability insurance, the funding for which will be addressed in the definitive documents.

(g) none of the PNB, the Superintendent, the Administrator of the NB Hourly Plan, the Applicants, CEP, BAM, Newco, or any trustees of the Outside Trust Fund will be liable for any decrease in the current value of the NB Hourly Plan assets at any time and for any reason other than fraud or gross negligence, and the beneficiaries of the NB Hourly Plan shall have no claim against any of those parties at any time.

Other Proceedings, Releases, Further Assurances

18. The labour board and grievance proceedings commenced by the CEP in Ontario, New Brunswick and Quebec as described in the tolling agreement dated January 8, 2010 will be withdrawn and terminated. No similar proceedings will be brought at any time relating in any way to the Applicants, the NB Hourly Plan, the defined benefit pension plan for salaried members in New Brunswick or the two defined benefit pension plans registered in the Province of Quebec (collectively, the four registered pension plans being referred to herein as the "Pension Plans") or any facts existing as at this date (whether known or unknown), and the withdrawal of the existing proceedings will operate as a complete bar to any further similar applications or proceedings.

19. CEP agrees that no arbitrator or any other decision maker or regulatory body will have jurisdiction to entertain any grievance or application or proceeding filed by the CEP, the pensioners or the employees against Newco or any affiliate of Newco with respect to the NB Hourly Plan, save and except for a claim for collection of an amount due and not paid pursuant to paragraph 4 of this Term Sheet.

20. Each of: (i) the Applicants' directors and officers; and (ii) BAM and its directors and officers shall be released from all claims relating to all facts and circumstances in respect of the Applicants existing as at this date (whether known or unknown) and the completion of the APA.
21. PNB, the Superintendent and the Administrator(s) of the NB Hourly Plan shall be released from all claims in respect of the NB Hourly Plan existing as at this date (whether known or unknown) and the implementation of the wind up of the NB Hourly Plan and any actions contemplated by this Term Sheet.
22. The CEP will not take a position adverse to FP or Newco with respect to any action of the pension regulators in Quebec, New Brunswick or Ontario or the Canada Revenue Agency or any other regulator or administrative body that is taken against FP or Newco as a consequence of FP and Newco fulfilling their obligations under this Term Sheet.
23. Provided the APA closes by no later than ~~March 31~~, April 9, 2010, FP agrees to reimburse actual expenses incurred by CEP (including legal and actuarial fees) in connection with the negotiation of this term sheet and definitive documentation up to the maximum amount of CDN\$50,000.
24. The parties will negotiate a definitive agreement to provide for the establishment of such other trust(s) or arrangements as may be appropriate for purposes of holding and distributing the balance of any consideration that may become payable by Newco under the APA to the Applicants' unsecured creditors.
25. The parties will execute a definitive global agreement and ancillary documents for the purpose of giving effect to the terms contained herein and to more fully reflect the agreement in principle embodied in this Term Sheet, but not for the purpose of introducing any other term or substantive matter not otherwise addressed herein.
26. If any dispute arises in connection with the negotiation, execution and delivery of a definitive global agreement that cannot be resolved by the parties with the assistance of the Monitor, the parties agree that such issue can only be determined by motion brought within the CCAA proceeding.
27. This term sheet may be executed in counterparts. Each part, when taken together shall constitute one and the same agreement.

Dated at Toronto this 24th day of February, 2010.

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

Per: Peter Gordon

(I have authority to bind these parties)

**THE MINISTER OF JUSTICE AND CONSUMER AFFAIRS
FOR THE PROVINCE OF NEW BRUNSWICK**

Per: Suzanne Bonnell-Burley, Q.C.
(I have authority to bind this party)

**THE SUPERINTENDENT OF PENSIONS FOR THE PROVINCE OF NEW
BRUNSWICK**

Per: Angela Mazerolle Stephens
(I have authority to bind this party)

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

Per: Fred Wilson
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Cleaning Staff)**

Per: Doris Lavoie
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Mill Workers)**

Per: Doris Lavoie
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 29 (Office Workers)**

Per: Doris Lavoie
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 6N**

Per: Pierre Picard
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 4N**

Per: Raymond Martin
(I have authority to bind this party)

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA,
LOCAL 189 (Thurso)**

Per:
(I have authority to bind this party)

**LE SYNDICATE CANADIEN DES COMMUNICATIONS, DE L'ENERGIE ET DU
PAPIER, SECTION LOCAL 894 (Thurso)**

Per: Christian Pilon
(I have authority to bind this party)

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36 AS AMENDED
AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO
FRASER PAPERS INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LTD.,
FRASER PAPERS LIMITED and FRASER N.H. LLC (collectively, the "Applicants")

Applicants

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

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

Proceedings commenced at Toronto

ORDER

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

D.J. Miller (LSUC# 34393P)
Tel: 416-304-0559
Fax: 416-304-1313

Lawyers for the Applicants

EXHIBIT “H”

EXECUTION COPY

**PENSION DEFICIT FUNDING TRUST FOR THE PENSION PLAN FOR NEW
BRUNSWICK HOURLY EMPLOYEES OF FRASER PAPERS INC.**

THIS DECLARATION AND AGREEMENT OF TRUST is made as of the 28th day of April, 2010

BETWEEN:

**FRASER PAPERS INC., a corporation governed by the laws of
Canada,**

(the "Settlor")

- and -

**COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF
CANADA**

(the "Union")

- and -

Doris Lavoie, Jean Clavette and Mario Thériault

(the "Trustees").

WHEREAS:

- (A) The Settlor sponsors the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc., New Brunswick Registration #0251264 (the "Plan");
- (B) The Settlor filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* on June 18, 2009;
- (C) The parties hereto have entered into a term sheet that was approved by the Ontario Superior Court of Justice (Commercial List) on February 24, 2010, as amended by an Order of the Court on March 22, 2010 (the "Term Sheet") and a global agreement incorporating the Term Sheet and all schedules thereto that was approved by the Ontario Superior Court of Justice (Commercial List) on April 6, 2010 ("the Global Agreement") to address, *inter alia*, the wind up and terminal funding of the Plan;

- (D) On March 10, 2010 the New Brunswick Superintendent of Pensions (the "**Superintendent**") appointed Morneau Sobeco Limited Partnership as administrator of the Plan;
- (E) On April 1, 2010, the Superintendent issued an Order for a partial wind-up of the Plan as it relates to any defined benefit provisions, effective as of March 31, 2010;
- (F) Morneau Sobeco Limited Partnership shall file a claim in the CCAA proceedings, on behalf of the pension fund established for the Plan (the "**Pension Fund**") with respect to the wind up deficit of the Plan (the "**Wind Up Deficit**") as of March 31, 2010;
- (G) Pursuant to the Global Agreement, the Settlor has agreed to settle a trust to receive, hold, administer, and invest all contributions set out in the Global Agreement to be made by the Settlor or at the Settlor's direction in respect of the claim representing the Wind Up Deficit, in full and final satisfaction of any and all claims against the Settlor and its directors and officers in respect of the Wind Up Deficit;
- (H) The Pension Fund shall be entitled to receive the net cash proceeds arising from the contributions made to the trust described above and investment return earned thereon except as otherwise specifically provided herein;
- (I) The Union is the national trade union whose locals are the exclusive collective bargaining agents for the majority of the active employees, and are the former exclusive bargaining agents for the majority of the terminated and retired individuals who participate in the Plan;
- (J) Pursuant to the April 6, 2010 Order of the Ontario Superior Court of Justice (Commercial List), the Union was specifically authorized to execute all documents as may be contemplated by the Global Agreement, including this Trust Agreement; and
- (K) The Union has selected Doris Lavoie, Jean Clavette and Mario Thériault to be the initial Trustees to administer the trust described above and they have agreed to act as such.

NOW THEREFORE, the parties agree as follows:

ARTICLE 1 INTERPRETATION

1.01 Recitals

The parties acknowledge and agree that the recitals above are true in substance and in fact.

1.02 Definitions

The following terms when used in this agreement shall have the meanings set out below:

- (a) **"APA Consideration"** means the Pension Fund's *pro rata* share among the Settlor's unsecured creditors as determined through the CCAA claims process, after satisfaction of all secured or other priority claims, of the Promissory Note and Common Shares payable under the Asset Purchase Agreement.
- (b) **"Asset Purchase Agreement"** means the asset purchase agreement dated as of December 22, 2009, as amended between the Settlor and certain of its affiliates as vendor, and Brookfield Asset Management Inc. or its designates as purchaser, as amended, which agreement was approved by the Ontario Superior Court of Justice (Commercial List) on April 6, 2010.
- (c) **"Applicable Law"** means domestic or foreign legislation or regulations and policies or administrative practices of any domestic or foreign regulatory authority as may apply to the Trust or the Plan.
- (d) **"Cash"** includes legal tender, cheque, draft or funds received through electronic transfer.
- (e) **"CCAA"** means the *Companies' Creditors Arrangement Act* proceeding commenced by the Settlor and its affiliates in the Ontario Superior Court of Justice (Commercial List) on June 18, 2009;
- (f) **"Common Shares"** has the meaning as defined in the Asset Purchase Agreement, as amended.
- (g) **"Contributions"** means the Periodic Payments, the APA Consideration, and any other amounts paid to the Trustees pursuant to Article 4 of this agreement.
- (h) **"Pension Benefits Act"** means the *Pension Benefits Act* (New Brunswick), as amended as well as any regulations made thereunder, both as applicable to the Plan from time to time.
- (i) **"Periodic Payments"** means the cash payments referenced in Section 3.2(e) of the Asset Purchase Agreement to be received by the Trustees pursuant to the irrevocable Direction of the Settlor to Twin Rivers Paper Company Inc. listed in Schedule "A" hereto.
- (j) **"Plan Members"** means the beneficiaries of the Pension Fund, being the active, deferred and retired members of the Plan as well as other persons who are or may become entitled to receive benefits under the terms of the Plan.

- (k) **"Plan Administrator"** means, at any time, the administrator then appointed for the Plan by the New Brunswick Superintendent of Pensions under the Pension Benefits Act.
- (l) **"Promissory Note"** has the meaning as defined in the Asset Purchase Agreement.
- (m) **"Property"** means, at any time, all tangible and intangible assets, rights, and property of any nature or kind held by the Trust.
- (n) **"Share Terms"** means any terms contained in a shareholders agreement, articles of incorporation, share certificates or otherwise that govern or restrict the rights incident to Common Shares held under this Trust.
- (o) **"Standard of Care"** shall have the meaning ascribed to it in Section 4.14.
- (p) **"Trust"** shall have the meaning ascribed to it in Section 2.01.
- (q) **"Twin Rivers Paper Company Inc."** means the corporation designated by Brookfield Asset Management Inc. to purchase certain assets of the Settlor pursuant to the terms of the Asset Purchase Agreement.
- (r) **"Wind Up Report Filing Date"** means October 1, 2018 or such other date on which the Plan Administrator becomes required to file with the New Brunswick Superintendent of Pensions, a final wind-up report for the Plan.
- (s) **"Wind Up Report Approval Date"** means the date on which the New Brunswick Superintendent of Pensions approves the final wind-up report for the Plan.

The division of this agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this agreement.

1.03 Reference to "agreement", etc.

Reference in this agreement to "agreement", "herein", "hereafter", "hereby" and other similar expressions shall be deemed to refer to this agreement and not to the Article, Section or other subdivision in which such words appear.

1.04 Inclusive Language

In this agreement, reference to the masculine gender shall include the feminine and neuter genders. Words importing persons shall include firms and corporations and *vice versa*.

1.05 Consideration

The parties agree that this agreement has been entered into for good and valuable consideration, the sufficiency of which is hereby acknowledged.

**ARTICLE 2
CREATION OF THE TRUST**

2.01 Acceptance of Trust

The Trustees hereby accept their appointment as Trustees. The Trustees agree to hold in trust for the benefit of the Pension Fund CDN\$1.00 paid by the Settlor to the Trustees to settle and form the initial corpus of the Trust, and all Property that is hereafter paid or transferred to the Trustees.

The initial settlement and all Property that is hereafter paid or transferred to the Trustees, together with income or accretions thereon constitute the Trust to be administered by the Trustees in accordance with the terms of this agreement.

2.02 Purpose of the Trust

The Trust is constituted for the purpose of providing additional Cash funding to the Pension Fund by the Settlor.

2.03 Name of the Trust

The name of the Trust shall be "Pension Deficit Funding Trust for the Pension Plan for New Brunswick Hourly Employees of Fraser Papers Inc. ".

2.04 Fiscal Year End of the Trust

The fiscal year of the Trust shall end on the 31st day of December in each year.

2.05 Non-Assignment and Non-Alienation

The Trust is for the sole benefit of the Pension Fund. The Trust is incapable of being assigned or alienated. The Trust and the Property do not confer upon the Settlor, any Plan Member, the Union or any other person any right or interest in the Trust or the Property, including any right or interest that is capable of being assigned or otherwise alienated unless expressly permitted herein.

2.06 No Liabilities

None of the parties hereto, nor Twin Rivers Paper Company Inc. or its affiliates nor any Plan Member shall be liable or responsible for any debts, liabilities, or obligations of the Trustees in respect of the Trust.

ARTICLE 3 CONTRIBUTIONS TO THE TRUST

3.01 Contributions

- (a) Within forty-five (45) days following (i) any final determination of the Pension Fund's *pro rata* share as amongst all unsecured creditors (which final determination shall be evidenced by the issuance of all final Orders in CCAA authorizing and directing such distribution); and (ii) all secured or priority claims having been satisfied in full, the Settlor shall cause to be transferred to the Trustees on behalf of the Pension Fund, the Pension Fund's *pro rata* portion of the APA Consideration as a Contribution to the Trust.
- (b) On the dates identified in Schedule A, the Trustees shall be entitled to receive, pursuant to an irrevocable Direction by the Settlor, the Periodic Payments as a Contribution to the Trust.
- (c) Upon receiving the consent of the Plan Administrator, the Trustees shall be entitled to receive such other Contributions from Plan Members as may be determined from time to time.
- (d) The Trustees shall, promptly after receipt, deposit all cash Contributions in an account established for the Trust with a Canadian chartered bank, trust company, credit union or other Canadian financial institution and make all appropriate custodial arrangements for the safekeeping of the APA Consideration and other Property of the Trust.

3.02 Collection of Contributions

The Trustees shall use all reasonable means to collect and receive all Contributions payable to the Trust pursuant to this Article 3. The Settlor hereby irrevocably appoints and authorizes the Trustees to act as the agent of Fraser Papers Inc. for the sole and exclusive purpose of enforcing payment by any lawful means that would otherwise have been available to Fraser Papers Inc. against Twin Rivers Paper Company Inc. in respect of any Periodic Payment referred to in Section 3.01(b) which has not been paid and that is due and owing to Fraser Papers Inc. on or after the date indicated in Schedule A for such Periodic Payment. The foregoing irrevocable appointment and authorization shall be operative from the date of this agreement and shall continue notwithstanding any cessation of Fraser Papers Inc.'s corporate existence whether due to wind up, liquidation, bankruptcy or other means. For greater certainty, the foregoing appointment of the Trustees as Fraser Papers Inc.'s agent does not in any manner whatsoever expand the rights of the Trustees other than to allow the Trustees to

enforce payment by Twin Rivers Paper Company Inc. of the Periodic Payments as set out above in a manner that would have been lawfully available to Fraser Papers Inc..

ARTICLE 4 POWERS AND DUTIES OF THE TRUSTEES

4.01 Custody, Investment and Management of the Trust

Subject to any specific provisions of this agreement, the custody, investment and management of the Property shall be the sole responsibility of the Trustees.

4.02 General Powers

In carrying out their responsibilities under this agreement, the Trustees are authorized to exercise the following powers to the extent not inconsistent with the express terms of this agreement:

- (a) **Banking** – To transact with such banks, trust companies or other entities (including for purposes of maintaining an interest-bearing account or accounts to hold some or all of the Property) as may be designated by the Trustees. Such banking business or any part thereof shall be transacted under such agreements, instructions and designations of powers as the Trustees may authorize.
- (b) **Sale, Exchange, Conveyance and Transfer of Property** – To sell, transfer or otherwise dispose of any Property, subject to any and all restrictions in respect of any such Property.
- (c) **Exercise of Shareholder's Rights** – Subject to any Share Terms, to vote upon any shares held by the Trustees hereunder; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options and to make any payments incidental thereto; to oppose, to consent to or to otherwise participate in reorganizations or other changes affecting any shares; to delegate discretionary powers, to pay any assessments or charges in connection therewith and generally to exercise any of the powers of a shareholder with respect to all shares held pursuant to the Trust.
- (d) **Registration of Shares** – Subject to the Share Terms, to have the power to cause legal title to any shares to be held in bearer form by or in the name of the Trust or in the name of a custodian of the Trust or its nominee, on such terms, in such manner and with such powers as the Trustees may determine.
- (e) **Debits and Credits** – To, in their discretion, credit or debit the Trust on a contractual settlement date in respect of any sale, exchange or receipt of shares, subject to the Share Terms (otherwise, such transactions shall be credited or debited to the Trust on the date when

shares are actually received by the Trustees and reconciled to the Trust) and to reverse credits or debits made to the Trust if the related transaction fails to settle within a reasonable time period after the contractual settlement date for the related transaction, or, if any of the shares delivered by the Trustees are returned by the recipient thereof, the Trustees may reverse the credits and debits for the particular transaction at any time.

- (f) **Retention of Property** – To accept and retain Property.
- (g) **Execution of Instruments** – To make, execute, acknowledge and deliver any and all documents (including forms or regulatory filings under Applicable Law) and all other instruments that may be necessary or appropriate to carry out the powers and duties herein provided.
- (h) **Suspension of Sale** – To suspend or limit any acquisition, redemption or sale of shares or other Property if required by Applicable Law, the Share Terms, or other circumstances beyond the Trustees' control.
- (i) **Employment of Agents or Counsel** – To select, retain, employ and supervise agents, advisors, or counsel. The costs associated with the retainer of any such parties shall be payable from the Trust.
- (j) **Settlement of Claims and Debts** – To settle, compromise, release, or submit to arbitration any claims, demands, debts or damages due or owing to or from the Trust, including the collection of Contributions, and to commence or defend suits or legal or administrative proceedings. The costs associated with settlement, compromise, release or arbitration of claims, demands, debts or damages shall be payable from the Trust.
- (k) **Appointment of Custodians** – To appoint or cause to be appointed custodians as to all or part of the Trust. The costs associated with appointment of custodians shall be payable from the Trust.
- (l) **Power to Delegate** – To delegate to any one Trustee or any number of Trustees the power to act on behalf of and bind all the Trustees on any matter that the Trustees deem advisable.
- (m) **Valuation** – To engage professional valuers and other agents at such times as the Trustees deem advisable to value any Property. The costs associated with any such valuation shall be payable from the Trust.
- (n) **Insurance** – To purchase fiduciary liability insurance policies covering the Trustees and to arrange for such other insurance as the Trustees deem advisable. The costs associated with any such insurance shall be payable from the Trust.

- (o) **Receipts** – To issue receipts for any property paid or otherwise transferred to the Trustees.
- (p) **Investment and Reinvestment of Trust Property** – To invest and reinvest such portion of the Trust as is not required for current expenditures or distributions in any type of investments that are permitted by Applicable Law without regard to the limitations contained in the Ontario *Trustee Act* and without consideration of the statement of investment policies adopted by the Plan Administrator or the actual investment of the Plan's assets.
- (q) **Uninvested Cash** – To hold in uninvested cash, without any liability for interest thereon, such sums as the Trustees deem necessary or advisable for the reasonably current cash requirements of the Trust.
- (r) **Appointment of Investment Managers** - To appoint investment managers as to all or part of the Property of the Trust. The costs associated with any such appointment shall be payable from the Trust.
- (s) **Power To Do Any Necessary Act** – To do all such acts, take all such proceedings and exercise all such rights and privileges, although not specifically mentioned herein, as the Trustees may deem necessary to properly administer the Trust.

4.03 Liquidation of Trust Property

If the Property has not already been sold or otherwise disposed for Cash consideration, the Trustees shall take all action required to ensure that, to the extent possible, all Property then held in the Trust is sold or otherwise disposed for Cash consideration on or before the date that falls fifteen (15) days prior to Wind Up Report Filing Date. The Trustees shall take the provisions of this Section 4.03 into account in making investment decisions for the Trust.

4.04 Investment Decisions Relating to APA Consideration

Subject to the Section 4.03 and the Share Terms, the Trustees shall have the sole discretion to hold any Common Shares for such duration that the Trustees deem to be advisable, and the Trustees shall have the discretion to determine when and in what manner to dispose of Common Shares.

Subject to Section 4.03 and the terms of the Promissory Note, the Trustees shall have the sole discretion to hold the Promissory Note for such duration that the Trustees deem to be advisable.

4.05 Taxes and Trust Filings

To pay out of the Trust all taxes of any and all kinds levied or assessed under existing or future laws upon or in respect of the Trust or any money, property or securities forming a part thereof.

To file and distribute, or cause to be filed and distributed, in prescribed form and within prescribed time, such annual income tax returns and other information returns in connection with the Trust as are required by Applicable Law. The costs associated with taxes and Trust filings shall be payable by the Trust.

4.06 Communications

Only to the extent necessary for the purpose of properly administering the Trust, the Trustees are authorized to provide any information, data, reports or any other documents related to the administration of the Trust or the Property to the Plan Administrator, the Union and to a representative designated by the New Brunswick Council of Carpenters, Millwrights and Allied Workers local 2450 on behalf of its members who are Plan Members, and such other persons that the Trustees deem advisable, and the costs of such communication shall be paid from the Trust.

To the extent any communication is made to any Plan Member by the Trustees, a copy of the communication shall be provided to the Union and the Plan Administrator.

4.07 Information Required by Plan Administrator

At the request of the Plan Administrator or the Superintendent, the Trustees are required to provide such information or documentation regarding the Trust and the Property held hereunder subject to the Property and Share Terms, as may be reasonably requested from time to time for the purpose of properly administering the Plan. The Trustees shall be entitled to reasonable reimbursement in respect of any out of pocket costs associated with fulfilling such request.

4.08 Deposit for Payment of Fees and Expenses

The Settlor shall deposit a one time lump-sum payment with the Trustees, within thirty (30) days after the closing of the Asset Purchase Agreement transaction, in the amount of \$15,000 US. This amount shall be available to the Trustees for the purpose of payment of any fees, charges, and expenses pursuant to this agreement. The Settlor shall have no obligation to provide any further or additional deposit to the Trustees in respect of fees, charges and expenses.

4.09 Fees and Expenses

The Trustees shall have the power:

- (a) to incur and pay from the Trust any fees, charges or expenses that, in the opinion of the Trustees, are necessary or incidental to or proper for carrying out the purpose of this agreement;
- (b) to reimburse others from the Trust for the payment of amounts described in (a); and
- (c) to reimburse themselves as Trustees from the Trust for reasonable out-of-pocket expenses incurred by them in the course of performing their duties hereunder, including fees, charges, expenses, or other amounts paid to banks, custodians, advisors, agents or other similar persons.

4.10 No Trustee Remuneration

The Trustees shall serve without remuneration payable from the Trust.

4.11 Trustee Decisions and Dispute Resolution

All decisions of the Trustees shall require approval by the majority of the Trustees. The Trustees shall cooperatively develop a procedure to attempt to address any disputes that arise in the administration of the Trust.

4.12 Trustee Meetings and Minutes

There shall be a minimum of one annual meeting of the Trustees to review the operation of the Trust, on a date to be determined jointly by the Trustees.

4.13 Limitation of Liability

The Trustees shall not be liable for any loss as a result of the retention, investment or sale of any Property as herein provided nor for any loss to or diminution of the Trust nor for any debt of the Trust contracted or incurred nor for the non-fulfillment of any contract nor for any other liability arising in connection with the operation or administration of the Trust, except when such loss, debt, diminution or liability is due to a breach of the Standard of Care. No Trustee shall be liable for the act or omission of any other Trustee. For greater certainty, the Trustees shall have no role nor any obligations in respect of the Pension Fund other than as specifically provided herein.

4.14 Standard of Care

In exercising its powers and performing its duties and responsibilities hereunder, the Trustees shall act honestly and in good faith and shall exercise the care, diligence, and skill that a reasonable person would exercise in dealing with the property of another person, using all relevant knowledge and skill that they possess or ought to possess by

reason of their profession and shall act at all times in the best interests of the Pension Fund and the Plan Members.

4.15 Accounts and Records

The Trustees shall keep or cause an agent to keep accurate accounts of all investments, receipts and disbursements and other transactions made in connection with the Trust. All records relating thereto shall be open to inspection and audit during normal business hours by any person designated by the Plan Administrator, provided reasonable notice is given to the Trustees. The Trustees may require that such inspection be conducted in the presence of a representative of the Trustees.

The Trustees do not have an independent obligation to maintain a register of Plan Members. The Trustees are authorized to request from the Plan Administrator and to be provided with a listing of Plan Members with current addresses in order to communicate with Plan Members and, pursuant to the terms of this agreement, distribute the Property of the Trust.

4.16 Indemnification of Trustees

The Trust shall indemnify and save harmless the Trustees and each of them, of from and against any loss, expense, claim, demand, action or any thing of any nature whatsoever arising out of the performance of their duties or responsibilities hereunder, including the cost of defence or litigation (including counsel fees), except that this indemnity shall not in any way extend so as to protect a Trustee where it is finally determined that the circumstances giving rise to an action, suit or proceeding resulted from a Trustee or Trustees acting in bad faith, with wilful misconduct or in breach of the Standard of Care.

ARTICLE 5 SUCCESSOR TRUSTEES

5.01 Incapacity, Death, Resignation or Removal of Trustees

Each Trustee shall continue to serve until the earlier of the Wind Up Report Approval Date, or the Trustee's death, incapacity, resignation, removal or cessation of Canadian residency for purposes of the *Income Tax Act* (Canada). In the event of any Trustee's incapacity, death, resignation, removal or cessation of Canadian residency, the Trustee (or the personal representatives of his estate, as applicable) shall deliver to the remaining or successor Trustees all certificates, contracts and other documentation in the retiring Trustee's possession that are necessary for the administration of the Trust. The retiring Trustee shall be fully discharged from all future duties and responsibilities in respect of this agreement and the trusts created by this agreement.

The Union shall provide the Plan Administrator with notice of any Trustee's incapacity, death, resignation, removal or cessation of Canadian residency within fifteen (15) days.

5.02 Appointment of Successor Trustees Prior to Wind Up Report Approval

In the event that a vacancy occurs in any of the three offices of Trustee prior to Wind Up Report Approval Date, successor trustee(s) shall be appointed by the Union within fifteen (15) days to fill such vacancy. In the case that the Union declines to appoint a successor Trustee, the Superintendent shall remove the remaining Trustees and appoint a successor trustee for the Trust to serve as the sole Trustee under this agreement.

Upon the Union's appointment of a successor trustee, the Union shall provide the Plan Administrator with the name and contact information of the successor trustee.

5.03 Appointment of Successor Trustee Upon Wind Up Report Approval

If any Property remains in the Trust on Wind Up Report Approval Date, the Union-appointed Trustees' appointments shall automatically terminate and the Superintendent shall appoint a successor trustee for the Trust.

5.04 Successor Trustees

The right, title and interest of the Trustees in the Property shall vest automatically in any person who may hereafter become a Trustee upon his or her due appointment without any further act, and he shall thereupon have all the rights, privileges, powers, obligations and immunities of the Trustees hereunder.

**ARTICLE 6
DISTRIBUTIONS FROM THE TRUST**

6.01 Scheduled Distributions

Subject only to Section 6.05, within fifteen (15) days of receiving any Periodic Payment, the Trustees shall pay to the Pension Fund an amount equal to such Periodic Payment received by the Trustees (net of any fees and expenses payable under this agreement and any tax and other amounts required to be withheld pursuant to Applicable Law).

6.02 Distribution of the Proceeds of Disposition of APA Consideration

Subject to Section 6.05, and upon obtaining a clearance certificate from the Canada Revenue Agency, upon sale or redemption of any Common Shares and upon the maturity of or payment under any Promissory Note, subject to the Share Terms and the terms of the Promissory Note, respectively, held pursuant to the Trust (for purposes of this Section, such sales, redemptions etc. collectively referred to as a "Disposition"), the Trustees shall make a distribution to the Pension Fund of an amount equal to the proceeds of such Disposition (net of any fees and expenses properly payable under this agreement, any reasonable holdback in respect of the Disposition, any reserve in respect of future expenses properly payable under this agreement taking into account any remaining Property, and any tax and other amounts required to be paid pursuant to Applicable Law) within fifteen (15) days of receiving such proceeds.

In no event shall the APA Consideration in the form of Common Shares or Promissory Note be transferred to the Pension Fund.

6.03 Additional Interim Distributions

Subject to Section 6.05, the Trustees may make additional Cash distributions out of income or capital of the Trust to the Pension Fund from time to time, if, in the opinion of the Trustees, it is in the best interests of the Trust to make such distributions. Any income not distributed in a calendar year shall be accumulated and added to the capital of the Trust.

6.04 Final Distribution to the Pension Fund

Subject only to Section 6.05, no later than fifteen (15) days prior to the Wind Up Report Filing Date, all Cash held in the Trust (net of any fees and expenses properly payable under this agreement, any reserve in respect of future expenses properly payable under this agreement taking into account any remaining Property and any tax and other amounts required to be paid pursuant to Applicable Law) shall be paid to the Pension Fund. In the event that the Trustees are unable to liquidate all of the Property of the Trust by the Wind Up Report Filing Date, only the Cash portion will be paid to the Pension Fund. All remaining Property, if any, shall be, to the extent possible sold or otherwise disposed of for Cash, which shall be paid (net of any fees and expenses properly payable under this agreement, any reserve in respect of future expenses properly payable under this agreement taking into account any remaining Property and any tax and other amounts required to be paid pursuant to Applicable Law) to the Pension Fund as soon as possible thereafter. In the event that the Trustees are unable to liquidate any of the Property of the Trust by the Wind Up Report Approval Date, that Property shall become subject to distribution in accordance with Section 6.06.

6.05 Prohibited Distributions

Notwithstanding the foregoing, the Trustees shall not make a distribution referred to in Sections 6.01 through Section 6.04 to the Pension Fund if the Plan's registration under any Applicable Law would be jeopardized by the distribution. For the purpose of this Section 6.05, the Trustees are entitled to rely upon a notice issued by a regulatory authority establishing that the distribution in question would jeopardize the registration of the Plan under Applicable Law or upon the advice of the Plan Administrator.

6.06 Alternate Final Distribution

In the event that the final distribution from the Trust to the Pension Fund required pursuant to Section 6.04 cannot be made by reason of Section 6.05 or to the extent there remains non-cash Property in the Trust on the Wind Up Report Approval Date, the Property held in the Trust shall be distributed to the Plan Members who are residents of Canada for the purposes of the *Income Tax Act* (Canada). No distributions from the Trust shall be made to Plan Members until following the Wind Up Report Approval Date. All such distributions to Plan Members shall, to the maximum extent possible, be made in accordance with the distribution scheme applicable to Plan assets under the Pension

Benefits Act and the Plan based upon the calculations prepared by the Plan Administrator.

Notwithstanding the above, in no event shall the Property in the form of APA Consideration be distributed to the Plan Members. In such event, the Property will be transferred to the same vehicle utilized for other unsecured creditor claims under the CCAA process and held for the benefit of the Plan Members who are residents of Canada for purposes of the *Income Tax Act* (Canada) in accordance with their respective rights as set out in this Section 6.06.

6.07 Effect of Distributions

Upon the making of any distribution to the Pension Fund or any Plan Member pursuant to the terms of this agreement, the amount thereof shall no longer constitute Property of the Trust.

ARTICLE 7 AMENDMENT AND TERMINATION

7.01 Amendment

The Trustees shall amend this agreement to accommodate any changes that are identified by the Plan Administrator to be necessary in order to ensure the continued registration of the Plan under Applicable Law.

The Trustees may at any time amend this agreement in whole or in part provided that no amendment shall affect the obligations of the Settlor or the Plan Administrator set out herein, or purport to create any obligations on the part of Twin Rivers Paper Company Inc. or any of its affiliates, or affect, abridge or in any way prejudice the Pension Fund (or Plan Member's) rights to receive any and all distributions from the Trust. Notice of any such amendment shall be provided to the Plan Administrator and the Union.

7.02 Termination of the Trust

The Trust terminates upon there remaining no Property held under the Trust. The Trust may also be terminated by the mutual agreement in writing of the Trustees and the Union.

7.03 Distribution of Trust Property Upon Termination of the Trust

In the event the Trust is terminated at a time when there remains Property held under the Trust, the provisions of Article 6 apply with necessary modifications to allow for the distribution of the Property to the Pension Fund or the Plan Members, as appropriate.

**ARTICLE 8
MISCELLANEOUS**

8.01 Communication or Notice

Any communication or notice between the parties to this agreement made in connection with the provisions of this agreement shall be deemed sufficiently made if delivered personally or sent by facsimile or by prepaid first class mail addressed:

If to the Settlor, to:

Fraser Papers Inc.
Suite 200, PO Box 762
Brookfield Place, 181 Bay Street
Toronto, ON M5J 2T3

Attention: Glen McMillan

If to the Union to:

Communications, Energy and Paperworkers Union of Canada
301 Laurier Avenue West
Ottawa, ON K1P 6M6

Attention: Fred Wilson

If to the Plan Administrator to:

Morneau Sobeco Limited Partnership
5151 George Street, Suite 1700
Halifax, NS B3J 1M5

Attention: Paul Chang

If to the Trustees to:

Doris Lavoie
295 chemin des Lavoie
St-Basile, NB E7C 2A1

Jean Clavette
7 Avenue Ordonnance
Edmundston, NB E3V 1C3

Mario Thériault
81 Boul. de la Capitale
Edmundston NB. E3V 5A2

Any communication or notice so given shall be deemed to have been given and received when delivered personally or when sent by facsimile, or, subject to disruptions in the postal service, on the fifth (5th) business day following the day on which it was so mailed. The Settlor and the Trustees may from time to time by written notice change their respective addresses for notice hereunder; however, any communication or notice shall be deemed to have been given and received as aforesaid if delivered, faxed or mailed to the last address of the recipient on file with the sender.

In the event of a postal disruption, all communications and notices hereunder shall be delivered personally or sent by facsimile.

8.02 Notice of Alienation, Assignment and Execution

The Trustees shall notify the Union and Plan Administrator forthwith upon the receipt by the Trustees of any assignment or attempt of assignment or notice thereof or of any involuntary assignment, seizure, garnishment or any process of law or execution or notice thereof in respect of any amount payable from the Trust.

8.03 Plan Member Information

The Plan Administrator shall, upon the request of the Trustees, provide the Trustees with a listing of Plan Members with last recorded addresses in order to communicate with Plan Members regarding the status of the Trust and, pursuant to the terms of this agreement, distribute the Property.

8.04 Representations

The Settlor, the Union, and the Trustees each represent that they have the power and authority to enter into and perform their obligations under this agreement and that the agreement is valid and binding and enforceable in accordance with its terms.

8.05 Residency

The Settlor and the Trustees each represent that they are a resident of Canada within the meaning of the *Income Tax Act* (Canada).

8.06 Continuation of Agreement

The Trustees shall continue to be subject to this agreement notwithstanding any cessation of the Settlor's corporate existence whether due to wind up, liquidation, bankruptcy or other means. For greater certainty, this agreement shall terminate only according to the express terms herein and shall not terminate or be deemed to be terminated by reason solely of the cessation of the Settlor's corporate existence.

8.07 Compliance with Applicable Law

All Contributions to and distributions from the Trust shall be made in compliance with Applicable Law.

8.08 Entire Agreement

With the exception of the agreement to require the Plan Administrator to take certain actions in respect of the Trust, this agreement, the Global Agreement and all executed documents and agreements appended as schedules thereto or referred to therein to which the Settlor and the Union are parties, shall constitute the entire agreement between the parties in respect of all matters herein and its execution has not been induced by, nor do any of the parties hereto rely upon or regard as material, any representations or promises whatsoever not incorporated herein or made by a party hereto.

8.09 Governing Law

This agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

8.10 Counterparts

This agreement may be executed and delivered in any number of counterparts with the same effect as if all parties had signed and delivered the same document and all counterparts shall be construed together to be an original and will constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this agreement with effect as of the date first above written.

FRASER PAPERS INC.

By: _____


Peter Gordon

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

By: _____

Fred Wilson

8.08 Entire Agreement

With the exception of the agreement to require the Plan Administrator to take certain actions in respect of the Trust, this agreement, the Global Agreement and all executed documents and agreements appended as schedules thereto or referred to therein to which the Settlor and the Union are parties, shall constitute the entire agreement between the parties in respect of all matters herein and its execution has not been induced by, nor do any of the parties hereto rely upon or regard as material, any representations or promises whatsoever not incorporated herein or made by a party hereto.

8.09 Governing Law

This agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

8.10 Counterparts

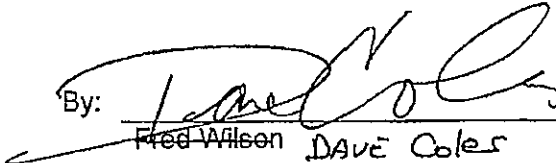
This agreement may be executed and delivered in any number of counterparts with the same effect as if all parties had signed and delivered the same document and all counterparts shall be construed together to be an original and will constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this agreement with effect as of the date first above written.

FRASER PAPERS INC.

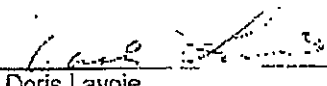
By: _____
Peter Gordon

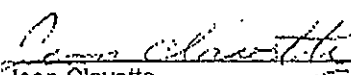
COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

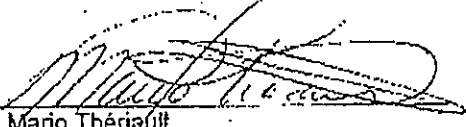
By:  _____
Fred Wilson DAVE Coler

19 -

TRUSTEES

By: 
Doris Lavoie

By: 
Jean Clavette

By: 
Mario Thériault

SCHEDULE "A"

October 1, 2011:	CDN\$437,500
March 31, 2012:	CDN\$437,500
October 1, 2012:	CDN\$437,500
March 31, 2013:	CDN\$437,500
October 1, 2013:	CDN\$437,500
March 31, 2014:	CDN\$437,500
October 1, 2014:	CDN\$437,500
March 31, 2015:	CDN\$437,500
October 31, 2015:	CDN\$437,500
March 31, 2016:	CDN\$437,500
October 1, 2016:	CDN\$437,500
March 31, 2017:	CDN\$437,500
October 1, 2017:	CDN\$437,500
March 31, 2018:	CDN\$437,500

EXHIBIT “I”

**PENSION DEFICIT FUNDING TRUST FOR THE PENSION PLAN FOR NEW
BRUNSWICK SALARIED EMPLOYEES OF FRASER PAPERS INC.**

THIS DECLARATION AND AGREEMENT OF TRUST is made as of the day of,
2010.

BETWEEN:

**FRASER PAPERS INC., a corporation governed by the laws of
Canada,**

(the "Settlor")

- and -

Don Corey, Rino Girard and Mark Fitzherbert

(the "Trustees").

WHEREAS:

- (A) The Settlor sponsors the Pension Plan for New Brunswick Salaried Paid Employees of Fraser Papers Inc., New Brunswick Registration #0251256 (the "Plan");
- (B) The Settlor filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* on June 18, 2009;
- (C) The Settlor and Davies Ward Phillips & Vineberg LLP, court-appointed representative of the Fraser Papers' Committee of Salaried Employees and Retirees ("the **Committee**") entered into a term sheet on March 16, 2010 that was approved by the Ontario Superior Court of Justice (Commercial List) on April 6, 2010 (the "**Term Sheet**");
- (D) On March 10, 2010 the New Brunswick Superintendent of Pensions (the "**Superintendent**") appointed Morneau Sobeco Limited Partnership as administrator of the Plan;
- (E) On April 1, 2010, the Superintendent issued an order for a partial wind up of the Plan as it relates to any defined benefit provisions effective as of March 31, 2010;
- (F) The Superintendent issued an order for a full wind up of the Plan effective April 27, 2010;
- (G) Morneau Sobeco Limited Partnership shall file a claim in the CCAA proceedings, on behalf of the pension fund established for the Plan (the "**Pension Fund**") with

respect to the wind up deficit of the Plan (the "**Wind Up Deficit**") as of March 31, 2010, (the "**Original Wind Up Date**");

- (H) The Settlor has agreed to settle a trust to receive, hold, administer, and invest all contributions set out in the Term Sheet to be made by the Settlor in respect of the claim representing the Wind Up Deficit, in full and final satisfaction of any and all claims against the Settlor and its directors and officers in respect of the Wind Up Deficit;
- (I) The Pension Fund shall be entitled to receive the net cash proceeds arising from the contributions made to the trust described above and investment return earned thereon except as otherwise specifically provided herein;
- (J) Pursuant to the March 30, 2010 Order of the Ontario Superior Court of Justice (Commercial List), the Committee was specifically authorized to execute all documents as may be contemplated by the Term Sheet which includes this Trust Agreement; and
- (K) The Committee has selected Don Corey, Rino Girard and Mark Fitzherbert to be the initial Trustees to administer the trust described above and they have agreed to act as such.

NOW THEREFORE, the parties agree as follows:

ARTICLE 1 INTERPRETATION

1.01 Recitals

The parties acknowledge and agree that the recitals above are true in substance and in fact.

1.02 Definitions

The following terms when used in this agreement shall have the meanings set out below:

- (a) "**APA Consideration**" means the Pension Fund's *pro rata* share among the Settlor's unsecured creditors as determined through the CCAA claims process, after satisfaction of all secured or other priority claims, of the Promissory Note and Common Shares payable under the Asset Purchase Agreement.
- (b) "**Applicable Law**" means domestic or foreign legislation or regulations and policies or administrative practices of any domestic or foreign regulatory authority as may apply to the Trust or the Plan.

- (c) **"Asset Purchase Agreement"** means the asset purchase agreement dated as of December 22, 2009, as amended, between the Settlor and certain of its affiliates as vendor, and Brookfield Asset Management Inc. or its designates as purchaser, as amended, which agreement was approved by the Ontario Superior Court of Justice (Commercial List) on April 6, 2010.
- (d) **"Cash"** includes legal tender, cheque, draft or funds received through electronic transfer.
- (e) **"CCAA"** means the *Companies' Creditors Arrangement Act* proceeding commenced by the Settlor and its affiliates in the Ontario Superior Court of Justice (Commercial List) on June 18, 2009.
- (f) **"Common Shares"** has the meaning as defined in the Asset Purchase Agreement.
- (g) **"Contributions"** means the APA Consideration, and any other amounts paid to the Trustees pursuant to Article 3 of this agreement.
- (h) **"Pension Benefits Act"** means the *Pension Benefits Act* (New Brunswick), as amended as well as any regulations made thereunder, both as applicable to the Plan from time to time.
- (i) **"Plan Members"** means the beneficiaries of the Pension Fund, being the active, deferred and retired members of the Plan as well as other persons who are or may become entitled to receive benefits under the terms of the Plan.
- (j) **"Plan Administrator"** means, at any time, the administrator then appointed for the Plan by the New Brunswick Superintendent of Pensions under the Pension Benefits Act.
- (k) **"Promissory Note"** has the meaning as defined in the Asset Purchase Agreement.
- (l) **"Property"** means, at any time, all tangible and intangible assets, rights, and property of any nature or kind held by the Trust.
- (m) **"Share Terms"** means any terms contained in a shareholders agreement, articles of incorporation, share certificates or otherwise that govern or restrict the rights incident to Common Shares held under this Trust.
- (n) **"Standard of Care"** shall have the meaning ascribed to it in Section 4.13.
- (o) **"Trust"** shall have the meaning ascribed to it in Section 2.02.

- (p) **"Wind Up Report Filing Date"** means October 1, 2018 or such other date on which the Plan Administrator becomes required to file with the New Brunswick Superintendent of Pensions, a final wind up report for the Plan.
- (q) **"Wind Up Report Approval Date"** means the date on which the New Brunswick Superintendent of Pensions approves the final wind up report for the Plan.

The division of this agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this agreement.

1.03 Reference to "agreement", etc.

Reference in this agreement to "agreement", "herein", "hereafter", "hereby" and other similar expressions shall be deemed to refer to this agreement and not to the Article, Section or other subdivision in which such words appear.

1.04 Inclusive Language

In this agreement, reference to the masculine gender shall include the feminine and neuter genders. Words importing persons shall include firms and corporations and *vice versa*.

**ARTICLE 2
CREATION OF THE TRUST**

2.01 Acceptance of Trust

The Trustees hereby accept their appointment as Trustees. The Trustees agree to hold in trust for the benefit of the Pension Fund CDN\$1 paid by the Settlor to the Trustees to settle and form the initial corpus of the Trust, and all Property that is hereafter paid or transferred to the Trustees.

The initial settlement and all Property that is hereafter paid or transferred to the Trustees, together with income or accretions thereon constitute the Trust to be administered by the Trustees in accordance with the terms of this agreement.

2.02 Purpose of the Trust

The Trust is constituted for the purpose of providing additional cash funding to the Pension Fund by the Settlor.

2.03 Name of the Trust

The name of the Trust shall be "Pension Deficit Funding Trust for the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. ".

2.04 Fiscal Year End of the Trust

The fiscal year of the Trust shall end on the 31st day of December in each year.

2.05 Rights in the Trust

Except as provided in Section 6.05 and 7.03, the Trust is for the sole benefit of the Pension Fund. The Trust and the Property do not confer upon the Settlor, any Plan Member, or any other person any right or interest in the Trust or the Property, including any right or interest that is capable of being assigned or otherwise alienated unless expressly permitted herein.

2.06 No Liabilities

None of the Settlor, Twin Rivers Paper Company Inc. or any of their affiliates shall be liable or responsible for any debts, liabilities, or obligations of the Trustees in respect of the Trust.

ARTICLE 3 CONTRIBUTIONS TO THE TRUST

3.01 Contributions

- (a) Within forty-five (45) days following (i) any determination of the Pension Fund's *pro rata* share as amongst all unsecured creditors (which final determination shall be evidenced by the issuance of all final orders in CCAA authorizing and directing such distribution); and (ii) all secured or priority claims having been satisfied in full, the Settlor shall cause to be transferred to the Trustees on behalf of the Pension Fund, the Pension Fund's *pro rata* portion of the APA Consideration and any other non-cash consideration, as a Contribution to the Trust.
- (b) The Trustees shall, promptly after receipt, deposit all cash Contributions in an account established for the Trust with a Canadian chartered bank, trust company, credit union or other Canadian financial institution and make all appropriate custodial arrangements for the safekeeping of the APA Consideration and other Property of the Trust.

ARTICLE 4 POWERS AND DUTIES OF THE TRUSTEES

4.01 Custody, Investment and Management of the Trust

Subject to any specific provisions of this agreement, the custody, investment and management of the Property shall be the sole responsibility of the Trustees.

4.02 General Powers

In carrying out their responsibilities under this agreement, the Trustees are authorized to exercise the following powers to the extent not inconsistent with the express terms of this agreement:

- (a) **Banking** – To transact with such banks, trust companies or other entities (including for purposes of maintaining an interest-bearing account or accounts to hold some or all of the Property) as may be designated by the Trustees. Such banking business or any part thereof shall be transacted under such agreements, instructions and designations of powers as the Trustees may authorize.
- (b) **Sale, Exchange, Conveyance and Transfer of Property** – To sell, transfer or otherwise dispose of any Property, subject to any and all restrictions in respect of any such Property.
- (c) **Exercise of Shareholder's Rights** – Subject to any Share Terms, to vote upon any shares held by the Trustees hereunder; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options and to make any payments incidental thereto; to oppose, to consent to or to otherwise participate in reorganizations or other changes affecting any shares; to delegate discretionary powers, to pay any assessments or charges in connection therewith and generally to exercise any of the powers of a shareholder with respect to all shares held pursuant to the Trust.
- (d) **Registration of Shares** – Subject to the Share Terms, to have the power to cause legal title to any shares to be held in bearer form by or in the name of the Trust or in the name of a custodian of the Trust or its nominee, on such terms, in such manner and with such powers as the Trustees may determine.
- (e) **Debits and Credits** – To, in their discretion, credit or debit the Trust on a contractual settlement date in respect of any sale, exchange or receipt of shares, subject to the Share Terms (otherwise, such transactions shall be credited or debited to the Trust on the date when shares are actually received by the Trustees and reconciled to the Trust) and to reverse credits or debits made to the Trust if the related transaction fails to settle within a reasonable time period after the contractual settlement date for the related transaction, or, if any of the shares delivered by the Trustees are returned by the recipient thereof, the Trustees may reverse the credits and debits for the particular transaction at any time.
- (f) **Retention of Property** – To accept and retain Property.

- (g) **Execution of Instruments** – To make, execute, acknowledge and deliver any and all documents (including forms or regulatory filings under Applicable Law) and all other instruments that may be necessary or appropriate to carry out the powers and duties herein provided.
- (h) **Suspension of Sale** – To suspend or limit any acquisition, redemption or sale of shares or other Property if required by Applicable Law, the Share Terms or other circumstances beyond the Trustees' control.
- (i) **Employment of Agents or Counsel** – To select, retain, employ and supervise agents, advisors, or counsel. The costs associated with the retainer of any such parties shall be payable from the Trust.
- (j) **Settlement of Claims and Debts** – To settle, compromise, release, or submit to arbitration any claims, demands, debts or damages due or owing to or from the Trust, including the collection of Contributions, and to commence or defend suits or legal or administrative proceedings. The costs associated with settlement of claims and debts shall be payable from the Trust.
- (k) **Appointment of Custodians** – To appoint or cause to be appointed custodians as to all or part of the Trust. The costs associated with appointment of custodians shall be payable from the Trust.
- (l) **Power to Delegate** – To delegate to any one Trustee or any number of Trustees the power to act on behalf of and bind all the Trustees on any matter that the Trustees deem advisable.
- (m) **Valuation** – To engage professional valuers and other agents at such times as the Trustees deem advisable to value any Property. The costs associated with any such valuation shall be payable from the Trust.
- (n) **Insurance** – To obtain fiduciary liability insurance policies covering the Trustees and to arrange for such other insurance as the Trustees deem advisable.
- (o) **Receipts** – To issue receipts for any property paid or otherwise transferred to the Trustees.
- (p) **Investment and Reinvestment of Trust Property** – To invest and reinvest such portion of the Trust as is not required for current expenditures or distributions in any investments and without consideration of the actual investment of the Plan's assets.
- (q) **Uninvested Cash** – To hold in uninvested cash, without any liability for interest thereon, such sums as the Trustees deem necessary or advisable for the reasonably current cash requirements of the Trust.

- (r) **Appointment of Investment Managers** - To appoint investment managers as to all or part of the Property of the Trust. The costs associated with any such appointment shall be payable from the Trust.
- (s) **Power To Do Any Necessary Act** – To do all such acts, take all such proceedings and exercise all such rights and privileges, although not specifically mentioned herein, as the Trustees may deem necessary to properly administer the Trust.
- (t) **Limited Liability** - To exclude the Trustees' personal liability in any agreement or other transaction entered into by the Trustees in the course of their management of the Trust or the administration of the Trust under this agreement.

4.03 Liquidation of Trust Property

The Trustees shall take all action required to ensure that, to the extent possible, all Property then held in the Trust is sold or otherwise disposed for Cash consideration on or before fifteen (15) days prior to the Wind Up Report Filing Date or such time as payment is required to be made from the Trust in accordance with Article 6. The Trustees shall take the provisions of this Section 4.03 into account in making investment decisions for the Trust.

4.04 Investment Decisions Relating to APA Consideration

Subject to the Section 4.03 and the Share Terms, the Trustees shall have the sole discretion to hold any Common Shares for such duration that the Trustees deem to be advisable, and the Trustees shall have the discretion to determine when and in what manner to dispose of Common Shares.

Subject to Section 4.03 and the terms of the Promissory Note, the Trustees shall have the sole discretion to hold the Promissory Note for such duration that the Trustees deem to be advisable and to sell the Promissory Note or portions thereof as they see fit.

4.05 Taxes and Trust Filings

To pay out of the Trust all taxes of any and all kinds levied or assessed under existing or future laws upon or in respect of the Trust or any money, property or securities forming a part thereof.

To file and distribute, or cause to be filed and distributed, in prescribed form and within prescribed time, such annual income tax returns and other information returns in connection with the Trust as are required by Applicable Law.

4.06 Communications

The Trustees are authorized to provide any information, data, reports or any other documents related to the administration of the Trust or the Property to the Plan

Administrator, Plan Members, and such other persons that the Trustees deem advisable, and the costs of such communication shall be paid from the Trust.

4.07 Deposit for Payment of Fees and Expenses

The Settlor shall deposit a one time lump sum payment with the Trustees, within thirty (30) days after the execution of this agreement, in the amount of US\$15,000. The amount shall be available to the Trustees for the purpose of payment of any fees, charges, and expenses pursuant to this agreement. The Settlor shall have no obligation to provide any further or additional deposit to the Trustees in respect of fees, charges and expenses.

4.08 Fees, Costs, and Expenses

The Trustees shall have the power:

- (a) to incur and pay from the Trust any charges or expenses that, in the opinion of the Trustees, are necessary or incidental to or proper for carrying out the purpose of this agreement except to the extent that the charges and expenses have been reimbursed from the Pension Fund maintained for the Plan;
- (b) to reimburse others from the Trust for the payment of amounts described in (a); and
- (c) to reimburse themselves as Trustees from the Trust for reasonable out-of-pocket expenses incurred by them in the course of performing their duties hereunder, including fees or other amounts paid to banks, custodians, advisors, agents or other similar persons.

In no event shall any fees, costs, and expenses be paid from the Trust with respect to any successful proceeding, in which all appeals have been exhausted, brought against any Trustee in relation to any matter or thing arising out of his or her dishonesty, wilful misconduct or gross negligence.

The Trustees shall seek to have the cost of any fiduciary liability insurance obtained by the Trustees paid from the Pension Fund maintained for the Plan prior to having recourse to the Trust.

4.09 No Trustee Remuneration

The Trustees shall serve without remuneration payable from the Trust.

4.10 Trustee Decisions and Dispute Resolution

All decisions of the Trustees shall require approval by the majority of the Trustees. The Trustees shall cooperatively develop a procedure to attempt to address any disputes that arise in the administration of the Trust.

4.11 Trustee Meetings and Minutes

There shall be a minimum of one annual meeting of the Trustees to review the operation of the Trust, on a date to be determined jointly by the Trustees.

4.12 Limitation of Liability

The Trustees shall not be liable for any loss as a result of the retention, investment or sale of any Property as herein provided nor for any loss to or diminution of the Trust except when such loss or diminution is due to a breach of the Standard of Care. No Trustee shall be liable for the act or omission of any other Trustee. For greater certainty, the Trustees shall have no role nor any obligations in respect of the Pension Fund other than as specifically provided herein.

4.13 Standard of Care

In exercising their powers and performing their duties and responsibilities hereunder, the Trustees shall act honestly and in good faith and shall exercise the care, diligence, and skill that a reasonable person would exercise in dealing with the property of another person using all reasonable skill or knowledge that they possess by or ought to possess reason of their profession, and shall act at all times in the best interests of the Pension Fund and the Plan Members.

4.14 Accounts and Records

The Trustees shall keep or cause an agent to keep accurate accounts of all investments, receipts and disbursements and other transactions made in connection with the Trust. All records relating thereto shall be open to inspection and audit during normal business hours by any person designated by the Plan Administrator provided reasonable notice is given to the Trustees. The Trustees may require that such inspection be conducted in the presence of a representative of the Trustees.

The Trustees do not have an independent obligation to maintain a register of Plan Members. The Trustees are authorized to request from the Plan Administrator and to be provided with such information required in order to communicate with Plan Members and, pursuant to the terms of this agreement, distribute the Property of the Trust.

4.15 Indemnification of Trustees

The Trust shall indemnify and save harmless the Trustees and each of them, of from and against any loss expense, claim, demand, action or any thing of any nature whatsoever arising out of the performance of their duties or responsibilities hereunder, including the cost of defence or litigation (including counsel fees), except that this indemnity shall not in any way extend so as to protect a Trustee where it is finally determined that the circumstances giving rise to an action, suit or proceeding resulted

from a Trustee or Trustees acting in bad faith, with wilful misconduct or in breach of the Standard of Care.

ARTICLE 5 SUCCESSOR TRUSTEES

5.01 Incapacity, Death, Resignation or Removal of Trustees

Each Trustee shall continue to serve until the earlier of the Wind Up Report Approval Date, or the Trustee's death, incapacity, resignation, removal or cessation of Canadian residency for purposes of the *Income Tax Act* (Canada). In the event of any Trustee's incapacity, death, resignation, removal or cessation of Canadian residency, the Trustee (or the personal representatives of his estate, as applicable) shall deliver to the remaining or successor Trustees all certificates, contracts and other documentation in the retiring Trustee's possession that are necessary for the administration of the Trust. The retiring Trustee shall be fully discharged from all future duties and responsibilities in respect of this agreement and the trusts created by this agreement.

The remaining Trustees shall provide the Plan Administrator with notice of any Trustee's incapacity, death, resignation, removal or cessation of Canadian residency within fifteen (15) days.

5.02 Appointment of Successor Trustees Prior to Wind Up Report Approval

In the event that a vacancy occurs in any of the three offices of Trustee prior to Wind Up Report Approval Date, successor trustee(s) shall be appointed by the remaining Trustees within fifteen (15) days to fill such vacancy. In the case that the remaining Trustees decline to appoint a successor trustee, the Superintendent shall remove the remaining Trustees and appoint a successor trustee for the Trust to serve as the sole Trustee under this agreement.

Upon the appointment of a successor trustee, the Trustees shall provide the Plan Administrator with the name and contact information of the successor trustee.

5.03 Appointment of Successor Trustee Upon Wind Up Report Approval

If any Property remains in the Trust on Wind Up Report Approval Date, the Trustees' appointments, except the appointment of the sole Trustee by the Superintendent pursuant to Section 5.02, shall automatically terminate and the Superintendent shall appoint a successor trustee for the Trust.

5.04 Successor Trustees

The right, title and interest of the Trustees in the Property shall vest automatically in any person who may hereafter become a Trustee upon his or her due appointment without any further act, and he shall thereupon have all the rights, privileges, powers, obligations and immunities of the Trustees hereunder.

ARTICLE 6
DISTRIBUTIONS FROM THE TRUST

6.01 Distribution of the Proceeds of Disposition of APA Consideration

Subject to Section 6.04 and upon obtaining a clearance certificate from the Canada Revenue Agency, if required by Applicable Law, upon sale or redemption of any Common Shares and upon the sale, maturity or payment under any Promissory Note, subject to the Share Terms and the terms of the Promissory Note, respectively, held pursuant to the Trust (for purposes of this Section, such sales, redemptions etc. collectively referred to as a "**Disposition**"), the Trustees shall make a distribution to the Pension Fund of an amount equal to the proceeds of such Disposition (net of any fees and expenses properly payable under this agreement, any reasonable holdback in respect of the Disposition, any reserve in respect of future expenses properly payable under this agreement taking into account any remaining property, and any tax and other amounts required to be paid pursuant to Applicable Law) within fifteen (15) days of receiving such proceeds.

In no event shall the APA Consideration in the form of Common Shares or Promissory Note be transferred to the Pension Fund, unless such a transfer is not in violation of Applicable Law.

6.02 Additional Interim Distributions

Subject to Section 6.04, the Trustees may make additional Cash distributions out of income or capital of the Trust to the Pension Fund from time to time, if, in the opinion of the Trustees, if it is in the best interests of the Trust to make such distributions. Any income not distributed in a calendar year shall be accumulated and added to the capital of the Trust.

6.03 Final Distribution to the Pension Fund

Subject to Section 6.04, no later than fifteen (15) days prior to Wind Up Report Filing Date, all Cash held in the Trust (net of any fees and expenses properly payable under this agreement, any reserve in respect of future expenses properly payable under this agreement taking into account any remaining Property and any tax and other amounts required to be paid pursuant to Applicable Law) shall be paid to the Pension Fund. In the event that the Trustees are unable to liquidate all of the Property of the Trust by the Wind Up Report Filing Date, only the Cash portion will be paid to the Pension Fund. All remaining Property, if any, shall be, to the extent possible sold or otherwise disposed of for Cash, which shall be paid to the Pension Fund as soon as possible thereafter. In the event that the Trustees are unable to liquidate any of the Property of the Trust by the Wind Up Report Approval Date, that Property shall become subject to distribution in accordance with Section 6.05.

6.04 Prohibited Distributions

Notwithstanding the foregoing, the Trustees shall not make a distribution referred to in Sections 6.01 through Section 6.03 to the Pension Fund if the Plan's registration under any Applicable Law would be jeopardized by the distribution. For the purpose of this Section 6.04, the Trustees are entitled to rely upon a notice issued by a regulatory authority establishing that the distribution in question would jeopardize the registration of the Plan under Applicable Law or upon the advice of the Plan Administrator.

6.05 Alternate Final Distribution

In the event that the final distribution from the Trust to the Pension Fund required pursuant to Section 6.03 cannot be made by reason of Section 6.04 or to the extent there remains non-cash Property in the Trust after the Wind Up Report Approval Date, the Property held in the Trust shall be distributed to the Plan Members who are residents of Canada for purposes of the *Income Tax Act* (Canada). No distributions from the Trust shall be made to Plan Members until following the Wind Up Report Approval Date. All such distributions to Plan Members shall, to the maximum extent possible, be made in accordance with the distribution scheme applicable to Plan assets under the Pension Benefits Act and the Plan based upon the calculations prepared by the Plan Administrator.

Notwithstanding the above, in no event shall Property in the form of APA Consideration be distributed to the Plan Members. In such event, the Property will be transferred to the same vehicle utilized for other unsecured creditor claims under CCAA and held for the benefit of the Plan Members who are residents of Canada for purposes of the *Income Tax Act* (Canada) in accordance with their respective rights as set out in this Section 6.05.

6.06 Effect of Distributions

Upon the making of any distribution to the Pension Fund or any Plan Member pursuant to the terms of this agreement, the amount thereof shall no longer constitute Property of the Trust.

ARTICLE 7 AMENDMENT AND TERMINATION

7.01 Amendment

The Trustees shall amend this agreement to accommodate any changes that may become necessary in order to ensure the continued registration of the Plan under Applicable Law as advised and requested by the Plan Administrator.

The Trustees may at any time amend this agreement in whole or in part provided that no amendment shall affect the obligations of the Settlor, or affect, abridge or in any way prejudice the Pension Fund (or Plan Member's) rights to receive any distribution from the Trust. Notice of any such amendment shall be provided to the Plan Administrator.

7.02 Termination of the Trust

The Trust terminates upon there remaining no Property held under the Trust.

7.03 Distribution of Trust Property Upon Termination of the Trust

In the event the Trust is terminated at a time when there remains Property held under the Trust, the provisions of Article 6 apply with necessary modifications to allow for the distribution of the Property to the Pension Fund or the Plan Members, as appropriate.

ARTICLE 8 MISCELLANEOUS

8.01 Communication or Notice

Any communication or notice between the parties to this agreement made in connection with the provisions of this agreement shall be deemed sufficiently made if delivered personally or sent by facsimile or by prepaid first class mail addressed:

If to the Settlor, to:

Fraser Papers Inc.
Suite 200, P.O. Box 762
Brookfield Place, 181 Bay Street
Toronto, ON M5J 2T3

Attention: Glen McMillan

And to:

Hicks Morley Hamilton Stewart Storie LLP
Suite 2000
150 Metcalfe Street
Ottawa, ON K2P 1P1

Attention: Lisa Mills

If to the Plan Administrator to:

Morneau Sobeco Limited Partnership
5151 George Street, Suite 1700
Halifax, NS B3J 1M5

Attention: Paul Chang

If to the Trustees to:

Don Corey
149 Bellevue Street
Edmundston, NB E3V 2V2

Rino Girard
56 Aqueduc Street
Jacques, NB E7B 1R2

Mark Fitzherbert
1330 Route 109
Red Rapids, NB E7H 4H4

Any communication or notice so given shall be deemed to have been given and received when delivered personally or when sent by facsimile, or, subject to disruptions in the postal service, on the fifth (5th) business day following the day on which it was so mailed. The Settlor and the Trustees may from time to time by written notice change their respective addresses for notice hereunder; however, any communication or notice shall be deemed to have been given and received as aforesaid if delivered, faxed or mailed to the last address of the recipient on file with the sender.

In the event of a postal disruption, all communications and notices hereunder shall be delivered personally or sent by facsimile.

8.02 Notice of Alienation, Assignment and Execution

The Trustees shall notify the Plan Administrator forthwith upon the receipt by the Trustees of any assignment or attempt of assignment or notice thereof or of any involuntary assignment, seizure, garnishment or any process of law or execution or notice thereof in respect of any amount payable from the Trust.

8.03 Representations

The Settlor and the Trustees each represent that they have the power and authority to enter into and perform their obligations under this agreement and that the agreement is valid and binding and enforceable in accordance with its terms.

8.04 Residency

The Settlor and the Trustees each represent that they are a resident of Canada within the meaning of the *Income Tax Act* (Canada).

8.05 Continuation of Agreement

The Trustees shall continue to be subject to this agreement notwithstanding any cessation of the Settlor's corporate existence whether due to wind up, liquidation,

bankruptcy or other means. For greater certainty, this agreement shall terminate only according to the express terms herein and shall not terminate or be deemed to be terminated by reason solely of the cessation of the Settlor's corporate existence.

8.06 Compliance with Applicable Law

All Contributions to and distributions from the Trust shall be made in compliance with Applicable Law.

8.07 Entire Agreement

With the exception of the agreement to require the Plan Administrator to take certain actions in respect of the Trust, this agreement, and the Term Sheet, shall constitute the entire agreement between the parties in respect of all matters herein and its execution has not been induced by, nor do any of the parties hereto rely upon or regard as material, any representations or promises whatsoever not incorporated herein or made by a party hereto.

8.08 Governing Law

This agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

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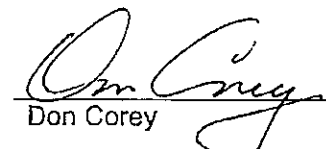
IN WITNESS WHEREOF the parties have executed this agreement, as a deed, with effect as of the date first above written.

FRASER PAPERS INC.

SIGNED, SEALED AND DELIVERED

By: 
[SEAL]
GLEN McMILLAN

TRUSTEES

By: 
Don Corey [SEAL]

By: 
Rino Girard [SEAL]

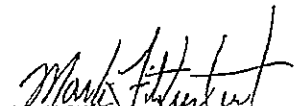
By: 
Mark Fitzherbert [SEAL]

EXHIBIT “J”

INTERCREDITOR AGREEMENT

This Agreement is made as of April 28, 2010 between

CIT BUSINESS CREDIT CANADA INC., as Agent for the
Lenders (as each such term is defined below)

and

FRASER PAPERS INC.
FRASER PAPERS LIMITED
FPS CANADA INC.
FRASER PAPERS HOLDINGS INC.
FRASER TIMBER LIMITED and
FRASER N.H. LLC collectively, together with their respective
successors, the "**Vendors**"

and

TWIN RIVERS PAPER COMPANY INC., together with its
successors, the "**Borrower**"

and

TWIN RIVERS PAPER COMPANY LLC and
TWIN RIVERS PAPER COMPANY CORP., each, together
with their respective successors, a "**Guarantor**"

RECITALS:

- A. Pursuant to the Asset Purchase Agreement dated as of April 28, 2009 (the "**Asset Purchase Agreement**"), Brookfield Asset Management Inc. ("**Brookfield**") has agreed to purchase certain assets relating to the specialty paper business (the "**Specialty Paper Business**") conducted by the Vendors.
- B. Brookfield has designated Twin Rivers Paper Company Inc. as the "Purchaser" under the Asset Purchase Agreement.
- C. In partial satisfaction of the purchase price under the Asset Purchase Agreement, the Borrower has issued to the Vendors one or more unsecured promissory notes in the original aggregate principal amount of U.S.\$40,000,000 (the "**Unsecured Promissory Notes**"); subject to adjustments in accordance with the Asset Purchase Agreement (the "**SPB Subordinated Debt**").
- D. In connection with the purchase and sale of the Specialty Paper Business, the Borrower, the Guarantors, the financial institutions from time to time parties thereto as lenders

(such lenders, together with their successors and assigns, being collectively referred to herein as the "**Lenders**") and CIT Business Credit Canada Inc., as agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the "**Agent**"), are parties to a credit agreement dated as of April 28, 2010 (as amended, supplemented, restated or otherwise modified from time to time, the "**Credit Agreement**") under which the Lenders have agreed to provide to the Borrower a revolving credit facility in an aggregate amount of up to U.S.\$50,000,000, plus Cdn.\$28,600,000 solely for the purposes of allowing the Borrower to obtain the NB Power Letter of Credit, as of the date of the Credit Agreement.

E. Pursuant to the terms of the Credit Agreement, the Borrower and the Guarantors (each a "**Credit Party**" and, collectively, the "**Credit Parties**") have granted Liens to the Agent (for the benefit of itself and the Lenders) in the Collateral under the assignments, hypothecs, security agreements and other security documents entered into under or in connection with the Credit Agreement (as such documents may be amended, supplemented, restated or otherwise modified from time to time, collectively, the "**Security Documents**").

F. Capitalized words and phrases not otherwise defined in this Agreement shall have the meanings given to them in the Credit Agreement.

FOR VALUE RECEIVED, the parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions. In this Agreement, including the recitals, the following words and phrases shall have the following meanings: have the meanings set out below unless the context requires otherwise:

"Agent Enforcement Action" means, collectively or individually, after an Event of Default under the Credit Agreement, for any or all of the Secured Parties (and/or any Receiver(s)) to take any action to repossess or realize upon any of the Collateral of such Secured Party, to exercise rights of set-off or commence the judicial or non-judicial enforcement of any of the rights and remedies under any Loan Document, including pursuant to the Liens granted under the Security Documents.

"Agreement" means this agreement, as it may be amended, supplemented, restated or replaced from time to time.

"Insolvency Proceeding" shall mean any dissolution, bankruptcy, receivership, winding-up, liquidation or other similar proceedings in respect of a Credit Party (whether voluntary or involuntary), any proposal or other proceeding seeking a stay of proceedings, reorganization or compromise of the claims of creditors made or commenced by a Credit Party or others under any Insolvency Law or any distribution of assets of a Credit Party among its creditors in any manner

whatsoever.

"Payment" means, with respect to the SPB Subordinated Debt, (a) any payment or distribution by any Person of cash, securities, or other form of property, including by the exercise of a right of set-off or in any other manner, on account of such SPB Subordinated Debt, or (b) any redemption, purchase or other acquisition of such SPB Subordinated Debt by the Person owing such SPB Subordinated Debt.

"Permitted Payments" means any Payment of the SPB Subordinated Debt permitted from time to time under Section 6.6 of the Credit Agreement, which for greater certainty permits payment of the principal amount of the SPB Subordinated Debt on its scheduled maturity date, provided that, both before and immediately after giving effect to any such payment, no Default has occurred and is continuing.

"Quasi-Enforcement Action" means any of:

- (a) the provision by the Vendor of a notice of default to the Borrower;
- (b) the making of a demand with respect to a Permitted Payment;
- (c) the filing of a proof of claim or similar instrument with respect to the SPB Subordinated Debt in any Insolvency Proceeding;
- (d) the voting at a meeting of creditors in any Insolvency Proceeding;
- (e) the institution of a default rate of interest;
- (f) the commencement or initiation of any action for specific performance or injunctive relief in respect of covenants which do not directly or indirectly require the payment of money; or
- (g) the taking of any action required to preserve the validity or efficacy of the SPB Subordinated Debt, including the commencement or initiation of any action required to comply with statutory limitation periods (provided that such proceeding is then stayed).

"Receiver" means any receiver, manager, receiver-manager, receiver and manager or other person exercising similar powers appointed by or at the request of any Secured Party, as the context requires.

"Secured Parties" means, collectively, the Agent and the Lenders.

"Vendor Enforcement Action" means, with respect to each Vendor, any action whatsoever upon default under the terms of any Unsecured Promissory Note, including:

- (a) the acceleration of the time for payment for the SPB Subordinated Debt (which shall include the making of a demand with respect to any demand obligation);
- (b) the appointment of a Receiver of the Borrower or any of its property or assets;
- (c) the commencement or initiation of any Insolvency Proceeding with respect to the Borrower;
- (d) the commencement or initiation of any action or proceeding to recover or receive payment of any of the SPB Subordinated Debt; or
- (e) the exercise any right of set-off, combination or similar right against the Borrower,

provided that, for the avoidance of doubt, a Quasi-Enforcement Action shall not constitute a Vendor Enforcement Action.

1.2 Headings. The insertion of headings is for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 References. Unless otherwise specifically provided, all references to Sections and Recitals are to Sections and Recitals of this Agreement. The words "hereto", "herein", "hereof", "hereunder" and similar expressions refer to this Agreement. "Including" means "including, without limitation".

1.4 Number and Gender. Unless otherwise specifically provided, words importing the singular include the plural and vice versa and words importing gender include all genders.

ARTICLE 2 SUBORDINATION

2.1 No Security. The SPB Subordinated Debt shall remain at all times an unsecured obligation of the Borrower, and no Credit Party shall grant a Lien to the Vendors or any Person on its behalf over any of its assets or property to secure the SPB Subordinated Debt.

2.2 Payment Restriction. Notwithstanding any of the terms of the Asset Purchase Agreement, the Unsecured Promissory Notes or any other agreement, the Borrower (or any Person on its behalf) shall not make and shall not be entitled to make, and the Vendors shall not accept and shall not be entitled to accept, any Payment in respect of SPB Subordinated Debt, other than Permitted Payments. The failure of the Borrower to make any Payment in respect of the SPB Subordinated Debt by reason of the operation of this Section 2.3 shall not prevent the occurrence of a default under the Unsecured Promissory Notes.

2.3 **No Challenge.** The Vendors shall not, in any manner, contest or bring into question the validity, priority, perfection or enforceability of any of the security granted pursuant to the Security Documents, or any of the Loan Documents.

2.4 **No Vendor Enforcement Action.** Notwithstanding any of the terms of any of the Unsecured Promissory Notes, no Vendor shall, directly or indirectly, take or initiate any Vendor Enforcement Action in respect of the SPB Subordinated Debt, except that each Vendor may take Quasi-Enforcement Actions.

2.5 **Quasi-Enforcement Action Notice.** Each Vendor shall provide the Agent with notice of any Quasi-Enforcement Action taken with respect to the SPB Subordinated Debt as soon as is reasonably practicable after it has been taken.

2.6 **Proceeds Held in Trust.** If any Payments are made to or received by a Vendor in contravention of this Agreement or the Credit Agreement (including a determination by the Agent that any Payment received by any Vendor is not a Permitted Payment) such Vendor shall hold such amounts in trust for the Secured Parties and shall forthwith pay such amounts to the Agent in full, without set-off, deduction or counterclaim of any kind, for application by the Agent against the Obligations.

2.7 **Non-Impairment of Secured Parties' Rights.** The Secured Parties shall be entitled to manage and supervise their financial accommodation to the Credit Parties in accordance with applicable law and as they deem appropriate under the circumstances, without regard to the existence of any rights that any Vendor may now or in the future have. For the avoidance of doubt but without limitation, the Secured Parties shall otherwise have the right, in their sole discretion, to exercise or refrain from exercising any powers, remedies or rights which any Secured Party may have thereunder and to otherwise deal freely with the Credit Parties and the Collateral (including the right to amend, alter, vary, supplement or revise any of the terms or provisions of, or add any new or additional terms or provisions to, any of the Loan Documents, including the granting of additional Liens in favour of the Secured Parties), all without affecting the liabilities and obligations of the Borrower and the Vendors hereunder.

2.8 **Agent Enforcement Actions.** Each Vendor acknowledges and agrees that the Agent shall be entitled to take any Agent Enforcement Action without notice to any Vendor.

2.9 **Transfer of SPB Subordinated Debt.** No Vendor shall sell, assign, distribute or otherwise transfer, in whole or in part, any of the SPB Subordinated Debt or any right, title or interest therein to any Person unless (a) such action is made expressly subject to this Agreement, and (b) such Person acknowledges the subordination provided for herein and agrees in writing to be bound by all of the terms hereof, such acknowledgement and agreement to be in favour of and in form and substance satisfactory to the Agent, acting reasonably. Notwithstanding the foregoing, the Vendors shall be entitled to transfer their respective interests in the SPB Subordinated Debt by way of distribution to creditors in a bankruptcy proceeding or pursuant to an order for distribution or any plan of arrangement or compromise made under the *Companies' Creditors Arrangement Act* (collectively, a "Distribution"), provided that the terms of any court

order authorizing any such Distribution shall expressly provide that such Distribution, and the rights and remedies of any holder of SPB Subordinated Debt under the Unsecured Promissory Notes, is subject to this Agreement.

ARTICLE 3 GENERAL MATTERS

3.1 Application of Agreement. The rights of the Secured Parties and the Vendors and the priorities set out in this Agreement shall apply irrespective of any matter or thing.

3.2 No Rights Conferred. Nothing in this Agreement shall be construed as conferring any rights upon any Credit Party or any third party. Each Credit Party agrees that nothing in this Agreement shall relieve it of any of its obligations under any of the Credit Agreement, the Security Documents, the Asset Purchase Agreement, the Unsecured Promissory Notes or any other document, agreement or instrument such Credit Party may be a party to with any Secured Party or any Vendor.

3.3 Loan Document. This Agreement shall constitute a "Loan Document" within the meaning of the Credit Agreement.

3.4 Reliance. All Commitments and Loans made by the Secured Parties shall be deemed to have been made or incurred and continued in reliance upon this Agreement.

3.5 Severability. If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect:

- (1) the legality, validity or enforceability of the remaining provisions of this Agreement; or
- (2) the legality, validity or enforceability of that provision in any other jurisdiction.

3.6 Notices. Except as otherwise expressly provided herein, any notice required or desired to be served, given or delivered hereunder shall be in writing, and shall be deemed to have been validly served, given or delivered three (3) days after deposit in the mail, with proper postage prepaid, or upon delivery by courier or upon transmission by telecopy to the following addresses:

- (1) If to the Agent, at

270 Queens Quay, Suite 700
Toronto, Ontario M5J 1A7
Attention: Chief Credit Officer
Telecopier No.: (416) 507-5100
Telephone No.: (416) 507-5119

- (2) If to any Credit Party, at

c/o Borrower
Brookfield Place
Suite 200, 181 Bay Street
Toronto, Ontario M5J 2T3
Attention: Chief Financial Officer
Telecopier No.: (416) 359-8606
Telephone No.: (416) 643-8841

- (3) If to any Vendor, at:

c/o Fraser Papers Inc.
181 Bay Street, Suite 200
Brookfield Place
Toronto, Ontario M5J 2T3
Attention: Glen McMillan
Email: gmcmillan@toronto.fraserpapers.com
Telecopier No.: (416) 359-8606

or to such other address as each party designates to the other in the manner herein prescribed.

3.7 Alterations. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Agent for and on behalf of the Secured Parties. Any such waiver, amendment, supplement or modification shall not require any consent or other agreement of any Credit Party, notwithstanding that any such Credit Party may be a party to this Agreement. No party will, by any act or delay, be deemed to have waived any right or remedy hereunder or to have acquiesced in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of any party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder will preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

3.8 No Waiver. No waiver by a party or failure or delay in exercising any right, power or remedy (whether in whole or in part) under this Agreement shall take effect or be binding upon the party unless in writing and signed by such party or shall limit or affect the rights of such party with respect to any other right, power or remedy.

3.9 Governing Law; Attornment. This Agreement shall be governed as to validity, interpretations, enforcement and effect by the internal laws (as opposed to conflicts of law provisions) of the Province of Ontario; provided that to the extent that the laws of any jurisdiction in which Collateral is located govern the priority, attachment, perfection, and

enforcement of Liens in or upon such Collateral, the local laws of such jurisdiction shall continue to govern. Each of the parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

3.10 Successors and Assigns. This Agreement shall enure to the benefit of, and be binding on, the Parties and their respective successors and assigns, including any successor or assign by way of Distribution, and any Person becoming the Agent or a Secured Party after the date of this Agreement. Each Vendor agrees that it will enter into an intercreditor agreement in the form of this Agreement with any assignee or transferee of the Agent. No Vendor shall assign this Agreement or any of its rights or obligations under this Agreement, other than as contemplated by Section 2.9.

3.11 Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter of this Agreement and supersedes any and all prior agreements, understandings, negotiations and discussions, whether oral or written, pertaining to the subject matter hereof.

3.12 Time of the Essence. Time is of the essence of this Agreement.

3.13 Termination. This Agreement shall terminate and be of no further force and effect as against all parties hereto upon the earlier of (a) the irrevocable payment in full of all obligations, indebtedness and liabilities of the Credit Parties to the Agent and the Lenders (or any of them) under the CIT Credit Agreement and the related Security Documents and the termination of the CIT Credit Agreement and such Security Documents, and (b) the Secured Parties' agreement in writing to terminate this Agreement.

3.14 Counterparts and Electronic Signature. This Agreement may be executed in any number of counterparts and by the Parties in separate counterparts, and all such counterparts when taken together shall constitute but one and the same Agreement. Delivery of an executed signature page to this Agreement by facsimile or other electronic form of transmission shall be as effective as delivery of a manually executed copy of this Agreement.

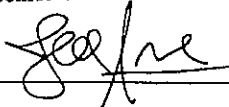
[signatures on the next following pages]

IN WITNESS WHEREOF the undersigned have caused this Agreement to be duly executed as of the date first written above.

CIT BUSINESS CREDIT CANADA INC.,
as Agent

By: 

Name: **Donald Rogers**
Title: **Senior Vice President**

By: 

Name: **Joseph Annone**
Title: **Vice President**

IN WITNESS WHEREOF the undersigned have caused this Agreement to be duly executed as of the date first written above.

FRASER PAPERS INC.

By: [Signature]
Name: Glen McMillan
Title: Senior VP and CFO

By: [Signature]
Name: Marina Mueller
Title: Assistant Corporate Secretary

FRASER PAPERS LIMITED

By: [Signature]
Name: Glen McMillan
Title: Secretary

By: [Signature]
Name: Marina Mueller
Title: Assistant Secretary

FPS CANADA INC.

By: [Signature]
Name: Glen McMillan
Title: Secretary

By: [Signature]
Name: Marina Mueller
Title: Assistant Secretary

IN WITNESS WHEREOF the undersigned have caused this Agreement to be duly executed as of the date first written above.

FRASER PAPERS HOLDINGS INC.

By: [Signature]
Name: Glen McMillan
Title: Secretary

By: [Signature]
Name: Marina Mueller
Title: Assistant Secretary

FRASER TIMBER LIMITED

By: [Signature]
Name: Glen McMillan
Title: Secretary

By: [Signature]
Name: Marina Mueller
Title: Assistant Secretary

FRASER N.II. LLC

By: [Signature]
Name: Glen McMillan
Title: Secretary

By: [Signature]
Name: Marina Mueller
Title: Assistant Secretary

IN WITNESS WHEREOF the undersigned have caused this Agreement to be duly executed as of the date first written above.

TWIN RIVERS PAPER COMPANY INC.

By: _____
Name: Justin Beber
Title: Vice President

By: _____
Name: _____
Title: _____

TWIN RIVERS PAPER COMPANY
CORP.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

TWIN RIVERS PAPER COMPANY LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF the undersigned have caused this Agreement to be duly executed as of the date first written above.

TWIN RIVERS PAPER COMPANY INC.

By: _____
Name: _____
Title: _____

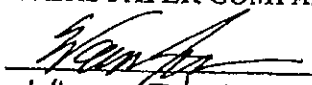
By: _____
Name: _____
Title: _____

**TWIN RIVERS PAPER COMPANY
CORP.**

By: 
Name: Wayne Johnson
Title: Vice President

By: _____
Name: _____
Title: _____

TWIN RIVERS PAPER COMPANY LLC

By: 
Name: Wayne Johnson
Title: Vice President

By: _____
Name: _____
Title: _____

EXHIBIT “K”

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

THE HONOURABLE MADAM)
JUSTICE PEPALL)
TUESDAY, THE 6TH DAY
OF APRIL, 2010

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
CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER
LIMITED, FRASER PAPERS LIMITED and FRASER N.H. LLC (collectively, the
"Applicants")



FINAL APPROVAL AND VESTING ORDER

THIS MOTION, made by the Applicants for an order seeking final approval of the sale transaction (the "Transaction") contemplated by an asset purchase agreement between the Applicants, as vendors, and Brookfield Asset Management Inc. ("Brookfield") and/or such other Person(s) as it may designate, namely Twin Rivers Paper Company Inc. (the "Canadian Purchaser") as designated purchaser of the Purchased Assets located in Canada (the "Canadian Purchased Assets") and Twin Rivers Paper Company LLC (the "U.S. Purchaser", together with the Canadian Purchaser the "Designated Purchasers") as designated purchaser of the Purchased Assets located in the United States (the "U.S. Purchased Assets"), made as of December 22, 2009, a clean and blackline copy each of which is attached as Exhibits "I" and "J", respectively, to the affidavit of J. Peter Gordon sworn March 30, 2010 (the "Gordon Affidavit"), as amended by the first amendment to the asset purchase agreement dated as of February 26, 2010 attached as Exhibit "L" to the Gordon Affidavit and a proposed second amendment to the asset purchase agreement (the "Second Amendment") dated as of the Closing Date of the Transaction, attached

as Exhibit "M" to the Gordon Affidavit, as revised and attached in a blacklined copy as Exhibit "G" to the Affidavit of Larry Ellis sworn April 5, 2010 (the "Ellis Affidavit"), and as may be further amended, modified or restated from time to time (collectively, the "Purchase Agreement"), and vesting in the Canadian Purchaser and the U.S. Purchaser the Applicants' right, title and interest in and to the Canadian Purchased Assets and the U.S. Purchased Assets, respectively, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Applicants dated March 30, 2010, the Ellis Affidavit and Exhibits attached thereto, filed on this date, and the tenth report (the "Tenth Report") of PricewaterhouseCoopers Inc., in its capacity as monitor of the Applicants (the "Monitor"), the Affidavit of Paul DesRosiers sworn April 5, 2010, the Consent of the Davies Group (as defined below) to be dated April 6, 2010, filed with the Court on this date (the "Davies Consent"), and on hearing the submissions of counsel for the Applicants, counsel for the officers and directors of the Applicants, counsel for the Monitor, counsel for Brookfield, counsel for CIT Business Credit Canada Inc. ("CIT"), counsel for the Communications, Energy and Paperworkers Union of Canada (the "CEP"), counsel for the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the "USW"), counsel for the Province of New Brunswick ("PNB") in its various capacities including the Superintendent of Pensions for PNB (the "Superintendent") and Business New Brunswick, counsel for the court-appointed Committee Representing Unrepresented Employees and Former Employees other than those employees or former employees in the Province of Quebec (the "Davies Group"), other members of the Committee Representing Unrepresented Employees and Former Employees in the Province of Quebec, such employees and former employees being represented on this motion by the firm Paliare Roland Rosenberg LLP (the "Paliare Group"), and counsel for the Town of Madawaska ("Town") and the Madawaska Water District ("District") and no one appearing for any other person on the service list, including Regie des rentes du Quebec, Morneau Sobeco in its capacity as Administrator appointed by the Superintendent in respect of the NB Hourly Plan and the NB Salaried Plan (collectively, the "NB Administrator"), the active members of the New Brunswick Regional Council of Carpenters, Millwrights and Allied Workers, Local 2450 ("CMAW"), the Superintendent of Financial Services of Ontario ("FSCO") and the Pension Benefit Guaranty Corporation, although all properly served as

appears from the affidavit of service of Annette Fournier sworn March 31, 2010, and the further affidavit of service of Annette Fournier sworn April 5, 2010, filed:

1. **THIS COURT ORDERS** that all capitalized terms used but not defined in this Order shall have the meanings ascribed thereto in the Purchase Agreement. Any reference in this Order to the Purchase Agreement shall be deemed to be a reference to the Purchase Agreement as amended. In paragraphs 10, 12 and 23 of this Order, any and all references to: (a) Brookfield shall include any and all of its affiliates, (b) the Designated Purchasers shall include any assignee or transferee thereof, and (c) the Applicants shall include their respective affiliates.
2. **THIS COURT ORDERS** that the time for service of the notice of motion, the Tenth Report and motion record in respect of this motion be and it is hereby abridged and that the motion is properly returnable today and further that the requirement for service of the notice of motion and motion record herein upon interested parties, other than those served, is hereby dispensed with and that the service of the notice of motion, the Tenth Report and motion record herein as effected by the Applicants is hereby validated in all respects.
3. **THIS COURT ORDERS AND DECLARES** that the Purchase Agreement and all of its terms and conditions (including all schedules and exhibits attached thereto) and the Transaction are hereby fully and finally approved. The execution, delivery and performance of: (a) the Purchase Agreement (with such alterations and amendments as the parties thereto may agree, subject to obtaining Monitor consent in the case of any material alterations or amendments made prior to the Closing of the Transaction); (b) all agreements and other documents contemplated thereby or in furtherance thereof (the "Related Documents"), including, without limitation, the Escrow Agreement and each other Ancillary Agreement; and (c) the Transaction; by the Applicants is hereby authorized and approved.

4. **THIS COURT ORDERS AND DECLARES** that the Applicants are hereby authorized and directed to execute and deliver all documents and agreements referred to in or contemplated by paragraph 3 of this Order and to take such additional actions and execute and deliver such bills of sale, assignments, ancillary agreements, directions, consents, certificates, licenses, acknowledgments and other documents and assurances as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to each of the Designated Purchasers, as applicable, or in furtherance of this Order and the performance of their obligations thereunder.

5. **THIS COURT ORDERS AND DECLARES** that the global agreement term sheet dated as of February 24, 2010, as amended and attached as Schedule "A" to the Order of this Court dated March 22, 2010 attached as Exhibit "O" to the Gordon Affidavit, together with the cover page with signatures and all such schedules to be appended thereto (collectively, the "NB Hourly Global Agreement"), is hereby approved and that the NB Hourly Global Agreement and the terms and conditions set out therein including, without limiting the generality of the foregoing, the wind-up mechanism of the Old FP Hourly Plan, are in the best interests of the Applicants and the other parties thereto including the members of the Old FP Hourly Plan. The execution, delivery and performance of the NB Hourly Global Agreement by all parties signatory thereto is hereby authorized and approved. All parties to the NB Hourly Global Agreement are hereby authorized and directed to take such steps as may be necessary or desirable to conclude the implementation of the terms and conditions set out therein and to execute and deliver such documents and agreements as may be necessary or desirable to implement the NB Hourly Global Agreement, including, without limitation, all such documents and agreements to be appended as schedules to the NB Hourly Global Agreement, or in furtherance of this Order, and to perform their obligations thereunder.

6. **THIS COURT ORDERS AND DECLARES** that for greater certainty, the CEP is authorized and directed, on behalf of its current and former members, to enter into, execute and deliver such documents as may be contemplated by the NB Hourly Global Agreement, including but not limited to releases in favour of: (i) the Applicants and its directors, officers, employees and others, PNB, the Superintendent and the Administrator (the "Term Sheet Release") and (ii) Brookfield, the Canadian Purchaser, the U.S. Purchaser and their respective directors, officers, employees and others (the "APA Release") and a declaration and agreement of trust for a pension deficit funding trust for the Old FP Hourly Plan (the "Trust Agreement") to be annexed as schedules to the NB Hourly Global Agreement. The NB Hourly Global Agreement is legally binding on and effective against the current and former members of the CEP and each of its locals who are signatories thereto (collectively referred to herein as "CEP"), and the current members of the CMAW.

6A. **THIS COURT ORDERS** that, for greater certainty and notwithstanding the releases contained in this Order and in the Term Sheet Release in each case as it relates only to the parties to the Term Sheet Releases, [✓]~~nothing~~ shall be taken as extinguishing any rights in favour of CEP or the trustees pursuant to the NB Hourly Global Agreement or the Trust Agreement. 840

7. **THIS COURT ORDERS AND DECLARES** that the global agreement term sheet dated as of March 16, 2010 attached as Exhibit "P" to the Gordon Affidavit (the "NB Salaried Global Agreement"), is hereby approved and that the NB Salaried Global Agreement and the terms and conditions set out therein including, without limiting the generality of the foregoing, the wind-up mechanism of the Old FP Salaried Plan, are in the best interests of the Applicants and the other parties thereto including the members of the Old FP Salaried Plan. The execution, delivery and performance of the NB Salaried Global Agreement by the Applicants is hereby authorized and

approved. All parties to the NB Salaried Global Agreement are hereby authorized and directed to take such steps as may be necessary or desirable to conclude the implementation of the terms and conditions set out therein and to execute and deliver all such documents and agreements as may be necessary or desirable to implement the NB Salaried Global Agreement, or in furtherance of this Order, and to perform their obligations thereunder.

8. **THIS COURT ORDERS AND DECLARES** that the Davies Consent is hereby confirmed and approved and the execution of the Davies Consent by the Representatives (as such term is defined in the Order of this Honourable Court dated September 17, 2009) on their own behalf and on behalf of the Davies Group, by its counsel, Davies Ward Phillips & Vineberg LLP ("Davies"), is hereby ratified, authorized and approved. The Davies Consent is legally binding on and effective against the Representatives and all the Represented Parties who comprise the Davies Group as defined in this Order, and the Representatives are hereby authorized to take such additional steps and execute or direct its counsel, Davies, to execute such additional documents as may be necessary or desirable in connection with, or the performance of, the Davies Consent.

8A. **THIS COURT ORDERS AND DECLARES** that the Consent of the Paliare Group dated as of April 6, 2010 (the "Paliare Consent") is hereby confirmed and approved and the execution of the Paliare Consent by the Representatives (as such term is defined in the Order of this Honourable Court dated September 17, 2009) on their own behalf and on behalf of the Paliare Group, by its counsel, Paliare Roland Rosenberg LLP ("Paliare"), is hereby ratified, authorized and approved. The Paliare Consent is legally binding on and effective against the Representatives and all the Represented Parties who comprise the Paliare Group as defined in this Order, and the Representatives are hereby authorized to take such additional steps and

execute or direct its counsel, Paliare, to execute such additional documents as may be necessary or desirable in connection with, or the performance of, the Paliare Consent.

9. **THIS COURT ORDERS AND DECLARES** that none of PNB, the Superintendent, the NB Administrator, the Applicants, the CEP, or any trustees of the Outside Trust Funds (as such term is defined in the NB Hourly Global Agreement and the NB Salaried Global Agreement), as well as their respective officers, directors, employees, representatives, delegates and agents, shall be or be deemed to be liable for any decrease in the current value of the Old FP Hourly Plan and/or the Old FP Salaried Plan assets at any time and for any reason whatsoever other than their fraud or gross negligence. None of the beneficiaries of the Old FP Hourly Plan and the Old FP Salaried Plan nor the NB Administrator shall have any Claims (as defined herein) whatsoever against any of the foregoing persons at any time.

10. **THIS COURT ORDERS AND DECLARES** that neither Brookfield nor any Designated Purchaser shall be a successor to any of the Applicants and neither Brookfield nor any Designated Purchaser shall assume or be deemed to assume any liabilities or obligations whatsoever of the Applicants including, without limitation, any and all liabilities and obligations in respect of, in connection with or in relation to: (a) any of the Pension Plans (including, without limitation, any funding or pension benefit payment obligations); (b) any and all termination, severance or related amounts which any current or former employee of the Applicants could at any time assert against the Applicants; (c) any and all former, current or future employees of the Applicants (other than the Transferred Employees and the Unionized Employees who become employees of the Designated Purchasers, as applicable, on Closing as provided for in the Purchase Agreement); and (d) any agreements which the Applicants may have with any person,

except for such liabilities in relation to assigned agreements as are specifically and expressly assumed as an Assumed Liability under and as provided for in the Purchase Agreement.

11. **THIS COURT ORDERS AND DECLARES** that each of the Applicants and, in each case, each of their respective directors, officers, representatives, agents, employees and delegates, shall, effective immediately upon Closing of the Transaction, be and be deemed to be irrevocably and unconditionally fully and finally released from any and all claims, obligations or liabilities whatsoever, whether known, anticipated or unknown, arising from any fact, matter or circumstance occurring or existing on or before the Closing Date in relation to or in connection with any and all facts and circumstances including in respect of the Purchase Agreement, the NB Hourly Global Agreement, the NB Salaried Global Agreement, the Transaction and the Closing thereof including, without limitation, any and all claims in respect of the Pension Plans which includes, but is not limited to, claims that might be brought against them relating to their actions as or on behalf of the administrators or sponsors of the Pension Plans, save and except for their fraud or gross negligence. For greater certainty and notwithstanding anything else contained herein, this release: (a) in favour of the Applicants' directors and officers shall not, and shall not be deemed to release the sixteen (16) outstanding claims against the directors and officers in the total amount of approximately \$181,000 that are referred to in paragraph 31 of the Tenth Report; and (b) in favour of the Applicants shall not, and shall not be deemed to release (i) any Claims filed against the Applicants that remain outstanding pursuant to the Claims Order of this Honourable Court dated July 15, 2009 (the "Claims Order"); (ii) any Restructuring Claims that arise or may be filed in accordance with the Claims Order; (iii) the Applicants' obligations under s. 18(ii) of the Initial Order; or (iv) any Excluded Claim as defined in the Claims Order, all of which shall continue to be addressed and/or finally determined as part of the claims process established under the Claims Order.

12. **THIS COURT ORDERS AND DECLARES** that Brookfield, the Designated Purchasers, and their respective affiliates and officers, directors, employees, delegates, agents and representatives shall, effective immediately upon Closing of the Transaction, be and be deemed to be irrevocably and unconditionally fully and finally released of and from any and all claims, obligations or liabilities whatsoever arising from any event, fact, matter or circumstance occurring or existing on or before the Closing Date in relation to or in connection with the Applicants or their respective present or past businesses, properties or assets, including, without limitation, any and all claims, obligations or liabilities whatsoever, whether known, anticipated or unknown, in relation to or in connection with the Pension Plans, the Labour Board Proceedings (as defined in the Second Amendment), and the former, current or future employees of the Applicants who are not Transferred Employees or Unionized Employees who become employees of the Designated Purchasers on Closing in accordance with the terms and conditions of the Purchase Agreement.

13. **THIS COURT ORDERS AND DECLARES** that each of: (a) PNB; (b) the Superintendent; and (c) the NB Administrator and, in each case, each of their directors, officers, representatives, agents, employees and delegates, as applicable, shall be irrevocably and unconditionally fully and finally released from any and all Claims (as defined herein), whether known, anticipated or unknown, arising in respect of the Old FP Hourly Plan, the Old FP Salaried Plan, the implementation of the wind-up of the Old FP Hourly Plan and/or the Old FP Salaried Plan and any actions contemplated by the NB Hourly Global Agreement and the NB Salaried Global Agreement save and except for their fraud or gross negligence.

14. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor's certificate to the Designated Purchasers substantially in the form attached as Schedule "A"

hereto (the "Monitor's Certificate"), all of the Applicants' right, title, benefit, and interest in and to: (a) the Canadian Purchased Assets, including, without limitation, those assets listed in Schedule "B" attached hereto, and further including, without limitation, the real property identified and described in Schedule "C" attached hereto (the "New Brunswick Real Property"); and (b) the U.S. Purchased Assets, including, without limitation, those assets listed in Schedule "D" attached hereto, and further including, without limitation, the real property identified and described in Schedule "E" attached hereto (the "Maine Real Property"), shall vest absolutely in the Canadian Purchaser and the U.S. Purchaser, respectively, free and clear of and from any and all right, title, interest, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, pledges, options, warrants, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, other financial, proprietary or monetary claims, adverse claims, or rights of use, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured, legal, equitable, possessory or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) the Charges (as defined in the initial order of the Honourable Justice Mr. Justice Morawetz dated June 18, 2009, as amended); (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system pursuant to equivalent legislation in any other jurisdictions in which all or any part of the Purchased Assets are located; (iii) Claims from employees individually or under successor employer provisions of federal, state and provincial legislation; (iv) Claims in respect of the Pension Plans; (v) those Claims in respect of the New Brunswick Real Property listed on Schedule "F" hereto; (vi) those Claims in respect of the Maine Real Property listed on Schedule "G" hereto; and (vii) those Claims listed on Schedule "H" hereto (all of the above set out in subparagraphs (i), (ii), (iii), (iv), (v), (vi) and (vii) are collectively referred

to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule "I" attached hereto), and, for greater certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the Purchased Assets are hereby released, extinguished, expunged and discharged as against the Purchased Assets. Counsel for the Designated Purchasers and any agents appointed by such counsel may, immediately following the Closing of the Transaction, proceed with the discharge of such Claims and Encumbrances including, without limitation, the electronic discharge or the electronic continuance of and subsequent discharge of any financing statements, UCC registrations, mortgages or other registrations in respect thereof.

15. **THIS COURT ORDERS AND DECLARES** that notwithstanding (i) paragraphs 10, 12, and 14 of this Order and, for greater certainty, only with respect to the U.S. Purchaser and the Madawaska Claims and Encumbrances (as defined herein), the Claims and Encumbrances of the Town for real estate and personal property taxes in the aggregate amount of US\$5,907,738.17 and the District for water charges in the aggregate amount of US\$49,691.08 (collectively, the "Madawaska Taxes") relating to the Madawaska Mill (the "Madawaska Claims and Encumbrances") shall not be released, extinguished, expunged or discharged as against the Purchased Assets until the payment of the Madawaska Taxes by the Designated Purchasers. Upon such payment, the Madawaska Claims and Encumbrances shall be immediately hereby released, extinguished, expunged and discharged as against the Purchased Assets and the provisions of this Order including, without limiting the generality of the foregoing, paragraphs 10, 12, and 14 of this Order, shall have full force and effect in respect of the Madawaska Claims and Encumbrances. Notwithstanding anything in this Order to the contrary, nothing in this Order shall affect any claims of the Town with respect to unpaid real or personal property taxes, if any

or the District with respect to any unpaid water charges, if any, or any liens with respect to such taxes or charges.

16. **THIS COURT ORDERS** that the Designated Purchasers are hereby ordered and directed to pay the amount of (i) US\$950,308.92 to the Town and US\$49,691.08 to the District within two (2) Business Days of the Closing Date; (ii) US\$1,957,429.25 to the Town on or before May 31, 2010; and (iii) US\$3,000,000 to the Town on or before June 30, 2010 on account of amounts owing to the Town and the District in respect of the Madawaska Taxes.

17. **THIS COURT ORDERS** that prior to Closing, the Town and the District shall deliver in escrow to the Designated Purchasers, counsel for the Designated Purchasers or any agents appointed by such counsel such discharges and releases in registrable form as may be necessary or desirable to discharge the Madawaska Claims and Encumbrances in respect of the Madawaska Taxes as against the Purchased Assets, which releases and discharges shall be released from escrow upon payment of the Madawaska Taxes.

18. **THIS COURT ORDERS** that upon the registration in the applicable land registry office of a transfer/deed of land or equivalent document in the applicable prescribed forms, and of an application for registration of vesting order in the applicable prescribed form, the applicable land registrar or equivalent official is hereby directed to enter the Canadian Purchaser as the owner of the New Brunswick Real Property in fee simple, and is hereby directed to delete and expunge from title to the New Brunswick Real Property any and all Claims and Encumbrances in respect of the New Brunswick Real Property, including, without limitation, the Claims and Encumbrances listed in Schedule "F" attached hereto, but excluding the permitted encumbrances, easements and restrictive covenants in respect of the New Brunswick Real Property set out in Schedule "I" attached hereto.

19. **THIS COURT ORDERS** that, notwithstanding the filing and/or registration of this Order with the applicable land registrar or equivalent official with respect to the New Brunswick Real Property, the Canadian Purchaser may seek further Order of this Court in the form of a supplemental vesting order, upon seven (7) days notice to any parties affected by such supplemental vesting order: (i) directing the applicable land registrar or equivalent official to enter the Canadian Purchaser as the owner of any additional New Brunswick Real Property in fee simple; (ii) supplementing the New Brunswick Real Property identified and described in Schedule "C" of this Order; (iii) directing the applicable land registrar or equivalent official to delete and expunge from title to the New Brunswick Real Property any additional Claims or Encumbrances as against the New Brunswick Real Property that are disclosed to or come to the attention of the Canadian Purchaser within the six (6) month period following the date of this Order; and (iv) supplementing the permitted encumbrances, easements and restrictive covenants affecting or relating to the New Brunswick Real Property and set out in Schedule "T" of this Order.

20. **THIS COURT ORDERS** that upon the registration in the applicable land registry office of a transfer/deed of land or equivalent document in the applicable prescribed forms, and of an application for registration of vesting order in the applicable prescribed form, the applicable land registrar or equivalent official is hereby directed to enter the U.S. Purchaser as the owner of the Maine Real Property in fee simple, and, subject to paragraph 15 of this Order, is hereby directed to delete and expunge from title to the Maine Real Property any and all Claims and Encumbrances in respect of the Maine Real Property, including, without limitation, the Claims and Encumbrances listed in Schedule "G" attached hereto, but excluding the permitted encumbrances, easements and restrictive covenants in respect of the Maine Real Property set out in Schedule "T" attached hereto.

21. **THIS COURT ORDERS** that, notwithstanding the filing and/or registration of this Order with the applicable land registrar or equivalent official with respect to the Maine Real Property, the U.S. Purchaser may seek further Order of this Court in the form of a supplemental vesting order, upon 21 days notice to any parties affected by such supplemental vesting order: (i) directing the applicable land registrar or equivalent official to enter the U.S. Purchaser as the owner of any additional Maine Real Property in fee simple; (ii) supplementing the Maine Real Property identified and described in Schedule "E" of this Order; (iii) directing the applicable land registrar or equivalent official to delete and expunge from title to the Maine Real Property any additional Claims or Encumbrances as against the Maine Real Property that are disclosed to or come to the attention of the U.S. Purchaser within the six (6) month period following the date of this Order; and (iv) supplementing the permitted encumbrances, easements and restrictive covenants affecting or relating to the Maine Real Property and set out in Schedule "I" of this Order.

22. **THIS COURT ORDERS** that notwithstanding paragraph 14 of this Order, the net proceeds from the sale of the Purchased Assets (the "Proceeds"), including, without limitation, the Promissory Note and the Common Shares not subject to the Escrow Agreement but excluding, for greater certainty, the cash consideration and the Preferred Shares to be distributed in accordance with paragraphs 25, 26 and 28 of this Order, shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the Proceeds with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

23. **THIS COURT ORDERS** that the Applicants shall not revoke, disclaim, terminate or resiliate, in or pursuant to these proceedings or otherwise, any of the Purchase Agreement, the Ancillary Agreements, the Related Documents and any and all other agreements and documents delivered to or for the benefit of Brookfield or the Designated Purchasers in connection with the Purchase Agreement or the Transaction.

24. **THIS COURT ORDERS AND DIRECTS** that the Monitor file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

25. **THIS COURT ORDERS** that the net cash Proceeds payable to the Applicants on Closing are hereby directed to be distributed and paid by the Applicants immediately to CIT in payment of amounts owing under the CIT Financing Agreement in the amount of U.S. \$10,000,000 and to CIBC in payment of the CIBC Existing Facility, which facility is subject to a guarantee by Brookfield in favour of CIBC and a secured Amended and Restated Guarantee and Reimbursement Agreement of the Applicants in favour of Brookfield, in the amount of U.S. \$25,000,000.

26. **THIS COURT ORDERS** that the Proceeds payable to the Applicants on Closing in the form of Preferred Shares are hereby directed to be distributed by the Applicants immediately to GNB in full and final satisfaction of the amounts owing under the GNB Loan Agreement and the GNB Plaster Rock DIP Facility and that, upon delivery of the Preferred Shares, the Applicants shall be immediately and automatically released of any obligations under the GNB Loan Agreement and the GNB Plaster Rock DIP Facility.

27. **THIS COURT ORDERS** that upon completion of the Transaction and the Closing thereof, Fraser Papers Inc. ("FPI"), on behalf of itself and the other Applicants, shall hold the

Common Shares and the Promissory Note delivered on Closing, and all other residual assets or proceeds of sale of such residual assets, for the benefit of their creditors, as such creditors' respective interests and priorities may appear.

28. **THIS COURT ORDERS** that FPI be and is hereby authorized and directed to execute and deliver on the Closing of the Transaction an irrevocable Direction to the Canadian Purchaser directing that the fixed payments set out in section 3.2(e) of the Purchase Agreement be paid directly to the Outside Trust Fund (as such term is defined in paragraph 17(c) of the NB Hourly Global Agreement).

29. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* and any equivalent legislation in any other jurisdiction applicable to the Designated Purchasers, the Purchased Assets, the Transferred Employees and/or the Unionized Employees, the Applicants are authorized and permitted to disclose and transfer to the Designated Purchasers all human resources and payroll information in the Applicants' records pertaining to the Applicants' past and current employees, including personal information of the Transferred Employees and the Unionized Employees. The Designated Purchasers shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Applicants.

30. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;

- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicants and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of any of the Applicants:
 - (i) the Purchase Agreement, the Ancillary Agreements, the Related Documents, the NB Hourly Global Agreement, the NB Salaried Global Agreement and the transactions, trusts, and actions contemplated therein;
 - (ii) the sale of the Purchased Assets to the Designated Purchasers, as applicable;
 - (iii) the entering into of the Purchase Agreement, the Ancillary Agreements, the Related Documents, the NB Hourly Global Agreement and the NB Salaried Global Agreement by any of the Applicants;
 - (iv) the vesting of title in the Purchased Assets in the Designated Purchasers, as applicable, free and clear of all Claims and Encumbrances;
 - (v) the distribution of the Proceeds as provided in this Order; and
 - (vi) the provisions of this Order,

shall be binding on any trustee in bankruptcy, receiver, interim receiver or similar party that may be appointed in respect of the Applicants and shall not be void or voidable by creditors of the Applicants, nor shall it constitute nor be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

31. **THIS COURT ORDERS** that PricewaterhouseCoopers Inc. is hereby authorized, empowered and directed to enter into the Escrow Agreement attached as Exhibit "Y" to the Gordon Affidavit (with such alterations and amendments as the parties thereto may agree), as Escrow Agent, and to carry out and satisfy the activities, functions and responsibilities set out in the Escrow Agreement and in addition to the rights and protections afforded PricewaterhouseCoopers Inc. as the Monitor under the CCAA or as an officer of this Court, the Escrow Agent shall incur no liability as a result of its acting as Escrow Agent under the Escrow Agreement or the carrying out of the provisions of this Order, except for any gross negligence of wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

32. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario) and any equivalent legislation in any other jurisdictions in which all or any part of the Purchased Assets is located.

33. **THIS COURT ORDERS AND DECLARES** that all persons shall co-operate fully with the Applicants, the Designated Purchasers, Brookfield, their respective affiliates and the Monitor and do all such things that are necessary or desirable for the purpose of giving effect to and in furtherance of this Order, the Purchase Agreement and the Transaction.

34. **THIS COURT ORDERS AND DECLARES** that, pursuant to section 142 of the *Courts of Justice Act* (Ontario), no person shall be liable for any act done in good faith in accordance with any Order issued in this proceeding, and any person who takes any action whatsoever in reliance on this Order prior to the commencement of any appeal hereof or the expiry of any appeal period shall not be prejudiced or harmed in any manner by any such subsequent appeal.

35. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada (including the Court of Queen's Bench of New Brunswick), in the United States or elsewhere to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies (including the Court of Queen's Bench of New Brunswick) are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

36. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

A handwritten signature in black ink, appearing to read "J. J. Le Gall", is written over a horizontal line.

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

APR 07 2010

PER / PAR: TV

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

APPROVAL AND VESTING ORDER

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, ON M5K 1K7

Robert I. Thornton (LSUC# 24266B 1B)
D.J. Miller (LSUC# 34393P)

Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants

EXHIBIT “L”

[illegible]

EXHIBIT “M”

CREDITOR TRUST FOR CERTAIN AFFECTED CREDITORS OF FRASER PAPERS INC./PAPIERS FRASER INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LIMITED, FRASER PAPERS LIMITED and FRASER N.H. LLC

THIS DECLARATION AND AGREEMENT OF TRUST is made as of the ____ day of February, 2011.

BETWEEN:

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

(collectively, the “Settlor”)

– and –

PRICEWATERHOUSECOOPERS INC.

(the “Trustee”)

WHEREAS:

- (A) all capitalized terms used but not defined in this Agreement shall have the same meaning ascribed to such terms in the amended plan of compromise and arrangement dated January 27, 2011 filed by the Settlor in the CCAA Proceedings pursuant to the CCAA (as may be amended, varied or supplemented from time to time in accordance with its terms, the “Plan”);
- (B) the Settlor commenced the CCAA Proceedings on June 18, 2009 pursuant to the Initial Order and commenced the Chapter 15 Proceedings on that date in the U.S. Court;
- (C) the Settlor presented the Plan to its Creditors at the Meeting held on February 8, 2011 pursuant to the Meeting Order, at which time the Required Majority of Affected Creditors voted to approve the Plan;
- (D) under the Plan, the Settlor agreed to establish the Creditor Trust to receive, hold and administer the Plan Consideration (as defined herein) for the benefit of the Creditor Trust Members and ultimately distribute available Cash to the Creditor Trust Members (following any realization upon the Property) in accordance with the terms of the Plan, the Promissory Note and Common Shares and all agreements governing such Promissory Note and Common Shares;
- (E) the Settlor agreed to settle the Creditor Trust to give effect to the terms of the Plan 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;
- (F) on February 10, 2011, the Court issued the Sanction Order sanctioning the terms of the Plan and on February 11, 2011, the U.S. Court issued the Sanction Recognition Order recognizing and giving effect to the Sanction Order in the U.S.;

- (G) on February 10, 2011, the Court issued the Trust Order authorizing the execution of this Agreement and all related documentation and confirming the appointment of PricewaterhouseCoopers Inc., as Trustee in accordance with the terms of this Agreement and the Trust Order effective on the Plan Implementation Date; and
- (H) on February 11, 2011, the U.S. Court recognized and gave effect to the Trust Order in the U.S. as part of the Sanction Recognition Order.

NOW THEREFORE, the parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Recitals

The parties acknowledge and agree that the recitals above are true in substance and in fact.

1.2 Definitions

The following terms when used in this Agreement shall have the meanings set out below:

- (a) “**Beneficiary Register**” has the meaning ascribed to it in Section 4.9 herein;
- (b) “**Common Shares**” means the common shares of Twin Rivers issued to and held by the Trustee for the benefit of the Creditor Trust Members pursuant to and in accordance with the terms of the Plan and this Agreement;
- (c) “**Contributions**” means the Plan Consideration, and any other amounts paid to the Trustee pursuant to Article 3 of this Agreement;
- (d) “**Creditors’ Advisory Committee**” has the meaning ascribed to it in Section 2.8 herein;
- (e) “**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 in the Plan;
- (f) “**Creditor Trust Member**” means an Affected Creditor having a Proven Distribution Claim (other than the NB Hourly Claim, the NB Salaried Claim and the PBGC Claim);
- (g) “**Disposition**” has the meaning ascribed to it in Section 6.1 herein;
- (h) “**Funded Amount**” has the meaning ascribed to it in Section 3.2 herein;
- (i) “**Initial Address**” means the Affected Creditor’s address provided to the Trustee by the Monitor on the Plan Implementation Date, which shall be based on the address set forth on the Proof of Claim filed by such Affected Creditor in accordance with the Claims Order or, if applicable, from any written notice of address change delivered to the Monitor after the date on which the 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 or, in the event such information is not provided in a Proof of Claim, from the books and records of the Applicants;

- (j) “**Plan**” has the meaning ascribed to it in Recital “A” herein;
- (k) “**Plan Consideration**” means the assets in the Distribution Pool allocated for the Affected Creditors with Proven Distribution Claims other than the NB Hourly Claim, the NB Salaried Claim and the PBGC Claim to be delivered to the Trust in accordance with the terms of the Plan in the form of the Common Shares, the Promissory Note and Cash;
- (l) “**Promissory Note**” means a promissory note from Twin Rivers issued to and held by the Trustee for the benefit of the Creditor Trust Members pursuant to and in accordance with the terms of the Plan and this Agreement;
- (m) “**Property**” means, at any time, all tangible and intangible assets, rights, and property of any nature or kind held by the Creditor Trust including, without limitation, the Common Shares, the Promissory Note and the Cash, if any;
- (n) “**Share Terms**” means all terms contained in a shareholders agreement, articles of incorporation, share certificates or otherwise, which govern the rights incident to the Common Shares held by the Trustee for the benefit of the Creditor Trust Members including, without limitation, the unanimous shareholders agreement between Twin Rivers, Fraser Papers Inc. and Brookfield Asset Management Inc. dated as of April 28, 2010;
- (o) “**Standard of Care**” has the meaning ascribed to it in Section 4.13; and
- (p) “**Trust**” and “**Creditor Trust**” are interchangeable terms and each has the meaning ascribed in the Plan, the Trust Order, and Section 2.2 herein.

The division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement.

Where any reference is made to a Person, including but not limited to the Applicants, the Directors, the DIP Lender, the Plan Sponsor and the Monitor, such reference shall be deemed to include all officers, directors, affiliates, employees and agents of such Person.

1.3 Reference to “Agreement”, etc.

Reference in this Agreement to “Agreement”, “herein”, “hereafter”, “hereby” and other similar expressions shall be deemed to refer to this Agreement and not to the Article, Section or other subdivision in which such words appear.

1.4 Inclusive Language

In this Agreement, reference to the masculine gender shall include the feminine and neuter genders. Words importing persons shall include firms and corporations and *vice versa*, and words incorporating the singular include the plural and *vice versa*.

ARTICLE 2 CREATION OF THE TRUST

2.1 Acceptance of Trust

The Trustee hereby accepts its appointment as Trustee pursuant to the Trust Order and in accordance with the terms of this Agreement. The Trustee agrees to hold in trust for the benefit of the Creditor Trust Members, CDN\$1.00 paid by the Settlor to the Trustee to settle and form the initial corpus of the Trust, and all Property that is hereafter paid to, transferred to or received by the Trustee.

The initial settlement and all Property that is hereafter paid or transferred to the Trustee, together with any income or accretions thereon, constitute the Trust to be administered by the Trustee in accordance with the terms of this Agreement.

2.2 Purpose of the Trust

The Trust is constituted for the purpose of holding, administering and (subject to the Share Terms and the terms of the Promissory Note) realizing upon the Plan Consideration, to facilitate a future distribution of Cash to the Creditor Trust Members in accordance with and subject to the terms of the Plan. This Agreement is to be read in conjunction with the Plan, the Trust Order, the Meeting Order, the Sanction Order and the Sanction Recognition Order.

2.3 Name of the Trust

The name of the Trust shall be "Creditor Trust for certain Affected Creditors of Fraser Papers Inc. and its Affiliates".

2.4 Fiscal Year End of the Trust

The fiscal year of the Trust shall end on the 31st day of December in each year.

2.5 Rights in the Trust

The Trust is for the sole benefit of the Creditor Trust Members. The Trust and the Property do not confer upon the Settlor or any other Person any right or interest in the Trust or the Property, including any right or interest that is capable of being assigned, transferred or otherwise alienated.

2.6 Recording of Pro Rata Interests

At the time of receiving Contributions as provided in Section 3.1, the Trustee shall establish and record the preliminary Pro Rata Share applicable to each Creditor Trust Member, taking into account any Unresolved Claims. Upon all Unresolved Claims being finally determined, the

Trustee shall amend the Beneficiary Register to reflect the final Pro Rata Share applicable to each Creditor Trust Member, which shall be the final percentage used for all purposes including all future distributions from the Creditor Trust.

2.7 No Liabilities

None of the Settlor, the DIP Lender or its affiliates, the Plan Sponsor, the Monitor, the Creditors' Advisory Committee or any other Person shall be liable or responsible for any debts, liabilities, or obligations of the Trustee in respect of the Trust.

2.8 Creditors' Advisory Committee

On or before the Plan Implementation Date, an ad hoc creditors' advisory committee shall be formed by the nominee members described in Schedule "A" hereto (the "**Creditors' Advisory Committee**"). The Creditors' Advisory Committee shall have no rights, duties, powers or decision-making authority in respect of the Trust. The Creditors' Advisory Committee shall be reasonably consulted with by the Trustee in accordance with the terms of this Agreement, although the Trustee shall not be bound in any manner whatsoever by the advice and direction of the Creditors' Advisory Committee. If a member of the Creditors' Advisory Committee becomes incapable or otherwise unable to act on the Creditors' Advisory Committee, the Trustee, in consultation with the stakeholder group represented by such member, shall have the authority to appoint a replacement member.

ARTICLE 3 CONTRIBUTIONS TO THE TRUST

3.1 Contributions

- (a) On the Plan Implementation Date, the Settlor shall cause to be transferred to the Trustee on behalf of the Creditor Trust Members, the Plan Consideration and any other non-cash consideration, as a Contribution to the Creditor Trust;
- (b) On the Final Determination Date, the Settlor shall cause to be transferred to the Trustee on behalf of the Creditor Trust Members, any further Plan Consideration and any other non-cash consideration, as a Contribution to the Creditor Trust; and
- (c) The Trustee shall, promptly after receipt, deposit any Contribution in the form of Cash, if any, in an account or accounts established for the Trust with a Canadian chartered bank, trust company, credit union or other Canadian financial institution and make all appropriate custodial arrangements for the safekeeping of the Plan Consideration and other Property of the Trust.

3.2 Funded Amount for Payment of Fees and Expenses

The Settlor shall deposit a one-time lump sum payment with the Trustee on the Plan Implementation Date, in the amount of no less than US\$► (the "**Funded Amount**"). The Funded Amount shall form part of the Property of the Trust and be available to the Trustee for the purpose of paying any fees, charges, and expenses pursuant to this Agreement. The Settlor

shall have no obligation to provide any further or additional amount to the Trustee in respect of fees, charges and expenses.

Any portion of the Funded Amount that is not required by the Trustee as set out herein shall be included in any final distribution out of the Trust to the Creditor Trust Members.

ARTICLE 4 POWERS AND DUTIES OF THE TRUSTEE

4.1 Custody, Investment and Management of the Trust

Subject to any specific provisions of this Agreement, including Section 2.8, and the Trust Order, the custody, investment and management of the Property shall be the sole responsibility of the Trustee.

4.2 General Powers

In carrying out its responsibilities under this Agreement, the Trustee is authorized to exercise the following powers to the extent not otherwise inconsistent with the express terms of this Agreement or the Trust Order:

- (a) **Banking** – To transact with such banks, trust companies or other entities (including for purposes of maintaining an interest-bearing account or accounts or a safety deposit box to hold some or all of the Property) as may be designated by the Trustee. Such banking business or any part thereof shall be transacted under such agreements, instructions and designations of powers as the Trustee may authorize.
- (b) **Sale, Exchange, Conveyance and Transfer of Property** – To sell, transfer or otherwise dispose of any Property, subject to any and all restrictions that exist in respect of any such Property including, without limitation, the Share Terms and the terms of the Promissory Notes.
- (c) **Exercise of Shareholder's Rights** – Subject to the Share Terms, to (i) vote upon any shares held by the Trustee hereunder; (ii) give general or special proxies or powers of attorney with or without power of substitution; (iii) to exercise any conversion privileges, subscription rights or other options and to make any payments incidental thereto; (iv) oppose, consent to or to otherwise participate in reorganizations or other changes affecting the Common Shares; (v) delegate discretionary powers; (vi) pay any assessments or charges in connection therewith; and (vii) generally to exercise any of the powers of a shareholder with respect to all Common Shares held pursuant to the Trust.
- (d) **Nomination of Director** – Subject to the Share Terms, the Trustee shall be entitled to nominate one person to the board of directors of Twin Rivers on behalf of the Affected Creditors having an Affected Claim other than the NB Hourly Claim. The Trustee confirms that Mr. Lorne Fraser is currently serving in that role and is acceptable to the Trustee subject to the Trustee's right to replace such director at any time or from time to time.

- (e) **Registration of Shares** – Subject to the Share Terms, to have the power to cause legal title to any Common Shares to be held in bearer form by or in the name of the Trust or in the name of a custodian of the Trust or its nominee, on such terms, in such manner and with such powers as the Trustee may determine.
- (f) **Debits and Credits** – To, in its discretion, credit or debit the Trust on a contractual settlement date in respect of any sale, exchange or receipt of Common Shares, subject to the Share Terms (otherwise, such transactions shall be credited or debited to the Trust on the date when the Common Shares are actually received by the Trustee and reconciled to the Trust) and to reverse credits or debits made to the Trust if the related transaction fails to settle within a reasonable time period after the contractual settlement date for the related transaction, or, if any of the Common Shares delivered by the Trustee are returned by the recipient thereof, the Trustee may reverse the credits and debits for the particular transaction at any time.
- (g) **Retention of Property** – To accept and retain Property.
- (h) **Execution of Instruments** – To make, execute, acknowledge and deliver any and all documents (including forms or regulatory filings under Applicable Law) and all other instruments that may be necessary or appropriate to carry out the powers and duties herein provided.
- (i) **Suspension of Sale** – To suspend or limit any acquisition, redemption or sale of the Common Shares or other Property if required by Applicable Law, the Share Terms or other circumstances beyond the Trustee's control.
- (j) **Employ Agents or Counsel** – To select, retain, employ and supervise agents, advisors, or counsel. The costs associated with the retainer of any such parties shall be payable from the Trust.
- (k) **Settlement of Claims and Debts** – To pursue, settle, compromise, release, or submit to arbitration any claims, demands, debts or damages due or owing to or from the Trust, including the collection or realization upon the Property, and to commence or defend suits or legal or administrative proceedings. The costs associated with settlement of claims and debts shall be payable from the Trust.
- (l) **Appointment of Custodians** – To appoint or cause to be appointed custodians as to all or part of the Trust. The costs associated with appointment of custodians shall be payable from the Trust.
- (m) **Power to Delegate** – To delegate to any qualified Person the power to act on behalf of and bind the Trustee on any matter that the Trustee deems advisable.
- (n) **Valuation** – To engage professional valuers and other agents at such times as the Trustee deems advisable to value any Property. The costs associated with any such valuation shall be payable from the Trust.

- (o) **Insurance** – To obtain fiduciary liability insurance policies covering the Trustee and to arrange for such other insurance as the Trustee deems advisable.
- (p) **Receipts** – To issue receipts for any Property paid or otherwise transferred to the Trustee.
- (q) **Investment and Reinvestment of Trust Property** – To invest and reinvest such portion of the Trust as is not required for current expenditures or distributions in any investments.
- (r) **Investment of Cash** – To invest the Cash of the Trust in Government of Canada securities having a term less than one year or in bank accounts with a Canadian chartered bank having a credit rating of not less than AA or R-1 high for its short-term investments.
- (s) **Uninvested Cash** – To hold in uninvested cash, without any liability for interest thereon, such sums as the Trustee deems necessary or advisable for the reasonably current cash requirements of the Trust.
- (t) **Appointment of Investment Managers** – To appoint investment managers as to all or part of the Property of the Trust. The costs associated with any such appointment shall be payable from the Trust.
- (u) **Power To Do Any Necessary Act** – To do all such acts, take all such proceedings and exercise all such rights and privileges, although not specifically mentioned herein, as the Trustee may deem necessary to properly administer the Trust.
- (v) **Limited Liability** – To exclude the Trustee's personal liability in any agreement or other transaction entered into by the Trustee in the course of its management of the Trust or the administration of the Trust under this Agreement.
- (w) **Consult with other Distribution Pool holders** – To consult with the PBGC and the trustees of each of the NB Hourly Trust and the NB Salaried Trust with respect to the Property of the Trust including, without limitation, the value and disposition of same.
- (x) **Directions from the Court** – To seek advice and directions from the Ontario Superior Court of Justice by way of an application pursuant to section 14.05 of the *Rules of Civil Procedure*, made under the *Courts of Justice Act*, R.R.O. 1990, Reg. 194, or any subsequent or equivalent legislation as same may be amended from time to time, with respect to the execution of the Trustee's duties, the rights of any Creditor Trust Member, the removal or replacement of the Trustee or any related matter.

4.3 Liquidation of Trust Property

Subject to the Share Terms and the terms of the Promissory Note, the Trustee, in consultation with the Creditors' Advisory Committee, shall take all action required to ensure that all Property held in the Trust is sold or otherwise disposed for Cash consideration as soon as practically

possible and advisable in the Trustee's discretion. The Trustee shall take the provisions of this Section 4.3 into account in making investment decisions for the Trust.

4.4 Investment Decisions Relating to Plan Consideration

Subject to Section 4.3 and the Share Terms, the Trustee, in consultation with the Creditors' Advisory Committee, shall have the sole discretion to hold any Common Shares for such duration that the Trustee deems advisable, and the Trustee shall have the discretion to determine when and in what manner to dispose of the Common Shares.

Subject to Section 4.3 and the terms of the Promissory Note, the Trustee, in consultation with the Creditors' Advisory Committee, shall have the sole discretion to hold the Promissory Note for such duration that the Trustee deems advisable and to sell the Promissory Note or portions thereof as it sees fit.

4.5 Taxes and Trust Filings

The Trustee shall pay out of the Trust all taxes of any and all kinds levied or assessed under existing or future laws upon or in respect of the Trust or any Property.

The Trustee shall file and distribute, or cause to be filed and distributed, in prescribed form and within prescribed time, such annual income tax returns and other information returns in connection with the Trust as are required by Applicable Law.

For greater certainty, the Trustee shall not be responsible for the satisfaction of any liability or obligations (including any filing obligation) of any Creditor Trust Member in respect of Taxes.

4.6 Communications

The Trustee is authorized at such times and in such manner (including by electronic mail or by reference to a website posting) that the Trustee deems advisable to provide any information, data, reports or any other documents related to the administration of the Trust or the Property to the Creditors' Advisory Committee, the Creditor Trust Members and such other Persons as the Trustee deems advisable, and the costs of such communication shall be paid from the Trust.

4.7 Fees, Costs, and Expenses

The Trustee shall have the power:

- (a) to incur and pay from the Trust any charges or expenses that, in the opinion of the Trustee, are necessary or incidental to or proper for carrying out the purpose of this Agreement;
- (b) to reimburse others from the Trust for the payment of amounts described in (a); and
- (c) to reimburse itself as Trustee from the Trust for reasonable fees and out-of-pocket expenses incurred by it in the course of performing its duties hereunder, including fees or other amounts paid to banks, custodians, advisors, agents or other similar persons, all in accordance with Schedule "B" hereto.

In no event shall any fees, costs, and expenses be paid from the Trust with respect to any successful proceeding, in which all appeals have been exhausted, brought against the Trustee in relation to any matter or thing arising out of a breach of the Standard of Care, fraud, wilful misconduct or gross negligence.

4.8 Trustee Remuneration

The Trustee shall be entitled to receive remuneration payable from the Trust in accordance with the terms of this Agreement and the Trust Order.

4.9 Beneficiary Register and Notices

The Trustee shall cause to be maintained a register of all Creditor Trust Members (the “**Beneficiary Register**”). The Beneficiary Register shall include the following:

- (a) the name, contact information and Initial Address for each Creditor Trust Member obtained from the Monitor;
- (b) the amount of each Creditor Trust Member’s Proven Distribution Claim as finally determined pursuant to the Claims Order; and
- (c) the final allocation of Plan Consideration determined on the Final Determination Date in accordance with the Plan to each Creditor Trust Member.

In accordance with the Trust Order, all Creditor Trust Members shall be required to file a change of address notice in the form attached hereto as Schedule “C” with the Trustee to notify the Trustee of any change in their contact information after the Plan Implementation Date and such other documents and information as may reasonably be required by the Trustee to satisfactorily evidence such matters.

In accordance with the Trust Order and in the event of a transfer or assignment of a Creditor Trust Member’s beneficial interest in the Trust or the death or incapacity of a Creditor Trust Member after the Plan Implementation Date, the Creditor Trust Member or the personal representatives of the Creditor Trust Member’s estate, as applicable, shall be required to file a form of transfer in the form attached hereto as Schedule “D” with the Trustee and such other documents and information as may reasonably be required by the Trustee to satisfactorily evidence such matters.

Prior to making any distribution, the Trustee may send a notice of the intended distribution to all Creditor Trust Members by such means and in such manner as the Trustee deems advisable.

4.10 Delivery of Distributions

Distributions to Creditor Trust Members shall be made by prepaid ordinary mail by the Trustee to the addresses maintained in the Beneficiary Register.

4.11 Unclaimed Distributions

If any Creditor Trust Member entitled to a distribution out of the Trust resulting from a realization of the Property cannot be located at the time of the distribution, then the amount of

the Creditor Trust Member's distribution shall be segregated and set aside by the Trustee on behalf of such Creditor Trust Member. If such Creditor Trust Member is located within six (6) months of the date of the distribution, such segregated distribution shall be distributed to such Creditor Trust Member by the Trustee. If such Creditor Trust Member cannot be located within six (6) months of the date of distribution, any segregated amount in respect of the distribution shall be added to the Property of the Trust, such Creditor Trust Member shall be deemed to have released its interest in such distribution and such Creditor Trust Member's Claim shall be discharged and forever barred. Nothing contained in this Agreement shall require the Trustee to take any steps to attempt to locate any Creditor Trust Member.

If any distribution, once made by the Trustee, is not negotiated or deposited by such Creditor Trust Member within the time period permitted by the Canadian Payments 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 Trustee shall be under no obligation but may re-issue a distribution to that Creditor Trust Member. In such event, the Creditor Trust Member shall be deemed to have released its interest in such distribution, and the amount of that Creditor Trust Member's distribution shall be added to the Property of the Trust.

4.12 Limitation of Liability

- (a) The Trustee shall not be subject to any liability whatsoever, in tort, contract or otherwise, to any Person in connection with the Property and the Trust, including, without limitation, for any loss as a result of the retention, investment or sale of any Property as herein provided nor for any loss to or diminution of the Trust, for any action taken or permitted by it to be taken, or for its failure to take any action. The foregoing limitation does not apply in respect of action or failure to act arising from or in connection with a breach of the Standard of Care, fraud, wilful misconduct or gross negligence by the Trustee. The Trustee, in doing anything or permitting anything to be done in respect of the execution of the duties of its office or in respect of the Trust or the Property, is, and shall be conclusively deemed to be, acting as trustee of the Trust and not in any other capacity. The Trustee shall not be subject to any liability for any debts, liabilities, obligations, claims, demands, judgments, damages, losses, actions, causes of action, costs, charges, penalties, interest or expenses against or with respect to the Trust, arising out of anything done or permitted by it to be done or its failure to take any action in respect of anything done or permitted by it to be done or its failure to take action in respect of the execution of the duties of its office or for or in respect of the Property or the Trust and resort will be had solely to the Property for the payment or performance thereof. No property or assets of the Trustee, whether owned in its personal capacity or otherwise, shall be subject to levy, execution or other enforcement procedures with regard to any obligation under this Agreement, the Plan, the Trust Order, the Sanction Order, the Sanction Recognition Order or any further Order of the Court amending the Plan or the Trust Order.
- (b) The limitation of liability conferred by Section 4.12(a) on the beneficiaries, incorporators, affiliates, shareholders, directors, officers, representatives, legal counsel, employees, managers, members, advisors, agents or successors and assigns of the Trustee shall be enforceable by each such Person as fully and

effectively as if it is a party to this Agreement and notwithstanding any law that otherwise might deprive it of the benefit of Section 4.12(a) due to lack of privity or want of consideration.

4.13 Standard of Care

In exercising its powers and performing its duties and responsibilities hereunder, the Trustee shall act honestly and in good faith and shall exercise the care, diligence, and skill that a reasonable person would exercise in dealing with the property of another person using all reasonable skill or knowledge that it possesses or ought to possess by reason of its profession, and shall act at all times in the best interests of the Creditor Trust Members.

4.14 Accounts and Records of Trust Property

The Trustee shall keep or cause an agent to keep accurate accounts of all investments, receipts and disbursements and other transactions made in connection with the Trust. All records relating thereto shall be open to inspection and audit during normal business hours provided reasonable advance notice is given to the Trustee. The Trustee may require that such inspection be conducted in the presence of a representative chosen by the Trustee.

4.15 Indemnification of Trustee

- (a) The Trustee, its beneficiaries, incorporators, affiliates, shareholders, directors, officers, representatives, legal counsel, employees, managers, members, advisors and agents shall at all times be indemnified and saved harmless out of the Property from and against all claims, demands, losses, actions, causes of action, costs, charges, penalties, interest, expenses, damages, debts, judgments, obligations and liabilities of any nature whatsoever arising in connection with the Property or the Trust, legal fees and disbursements on a substantial indemnity basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee, its beneficiaries, incorporators, affiliates, shareholders, directors, officers, representatives, legal counsel, employees, managers, members, advisors and agents may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in relation to the execution of its duties as Trustee or which it sustains or incurs in relation to the Property or the Trust. Further, the Trustee, its beneficiaries, incorporators, affiliates, shareholders, directors, officers, representatives, legal counsel, employees, managers, members, advisors and agents shall not be liable to the Trust or to any Person, including the Creditor Trust Members, for any loss or damage relating to any matter regarding the Trust, including any loss or diminution in the value of any Property or the Trust. The foregoing provisions of this Section 4.15(a) shall not apply to the extent that there has been a breach of the Standard of Care, fraud, wilful misconduct or gross negligence by the Trustee or its beneficiaries, incorporators, affiliates, shareholders, directors, officers, representatives, legal counsel, employees, managers, members, advisors or agents. Notwithstanding any other provision hereof, this indemnity shall survive the removal or resignation of the Trustee or the termination of this Agreement and the termination of any trust created by this Agreement.

- (b) The right of indemnification conferred by Section 4.15(a) on the beneficiaries, incorporators, affiliates, shareholders, directors, officers, representatives, legal counsel, employees, managers, members, advisors, agents or successors and assigns of the Trustee is hereby vested in the Trustee in trust for, and shall be enforceable by it for the benefit of, each such Person.

4.16 Reliance upon Advice

The Trustee may rely and act upon any statement, notice, report or opinion prepared by or any advice received from professional advisors of the Trustee. The Trustee will not be responsible or held liable for any loss or damage resulting from so relying or acting if the Trustee acted reasonably in relying upon the advice received and if the advisor was aware that the Trustee was receiving the advice in its capacity as Trustee.

4.17 Protection of Trustee

Notwithstanding anything contained in this Agreement to the contrary, the Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

4.18 Direction from the Court

Notwithstanding any other provision of this Agreement, the Trustee, in its sole discretion, may seek advice and directions from the Ontario Superior Court of Justice or any other court of competent jurisdiction with respect to the execution of the Trustee's duties, the rights of any Creditor Trust Member, the removal or replacement of the Trustee or any other matters arising in connection with this Agreement. The expense of any act, document or other instrument or thing required under this Section 4.18 (including, for greater certainty, legal fees and expenses incurred in connection with any matter in relation to this Section 4.18) will be satisfied from the Property.

ARTICLE 5 SUBSEQUENT TRUSTEE

5.1 Resignation and Replacement of Trustee

- (a) The Trustee, in its sole discretion, may resign its trust and be discharged from all further duties, liabilities and responsibilities in respect of this Agreement and the trusts created by this Agreement and the Trust Order on written notice to the Settlor, the Creditors' Advisory Committee and Twin Rivers, such resignation and discharge to take effect on the date of personal delivery of the notice of resignation to the Settlor, the Creditors' Advisory Committee and Twin Rivers under this Section 5.1(a).
- (b) If the Trustee resigns pursuant to Section 5.1(a), the Settlor and/or the Creditors' Advisory Committee may forthwith appoint a successor Trustee. If the Settlor and/or the Creditors' Advisory Committee fail to appoint a successor Trustee, any

interested party, including the former Trustee, may apply to a judge of the Ontario Superior Court of Justice, on such notice as such judge may direct, for the appointment of a successor Trustee.

- (c) The Trustee shall continue to serve until the earlier of the Trustee's resignation, dissolution, winding-up, liquidation, bankruptcy, insolvency, removal by an order of the Ontario Superior Court of Justice or cessation of Canadian residency for purposes of the *Income Tax Act* (Canada), as applicable. In the event of the Trustee's resignation, dissolution, winding-up, liquidation, bankruptcy, insolvency, removal by an order of the Ontario Superior Court of Justice or cessation of Canadian residency, as applicable, the Trustee (or the representatives of its estate, as applicable) shall deliver to the successor Trustee all certificates, contracts and other documentation in the retiring Trustee's possession that are necessary for the administration of the Trust, and such successor Trustee shall thereupon have all the rights, privileges, powers, obligations and immunities of the Trustee hereunder as if it was an original party to this Agreement and was appointed pursuant to the Trust Order. The retiring Trustee shall be fully discharged from all future duties, liabilities and responsibilities in respect of this Agreement and the trusts created by this Agreement and the Trust Order.
- (d) The expense of any act, document or other instrument or thing required under this Section 5.1 (including, for greater certainty, legal fees and expenses incurred in connection with any matter in relation to this Section 5.1) will be satisfied from the Property.

5.2 Appointment of Successor Trustee if Trustee Unable to Act

- (a) If the Trustee becomes unable to continue performing its duties as Trustee hereunder, it shall be entitled to appoint a successor Trustee having similar qualifications, failing which one shall be appointed by a judge of the Ontario Superior Court of Justice on an application by any interested party, including the former Trustee, on such notice as such judge may direct. Upon such successor Trustee executing an amendment to this Agreement whereby it agrees to be bound by the terms of this Agreement, the Trust Order, the Plan, the Sanction Order, the Sanction Recognition Order, and the terms governing the Promissory Note and the Share Terms, such successor Trustee shall thereupon have all the rights, privileges, powers, obligations and immunities of the Trustee hereunder as if it was an original party to this Agreement and was appointed pursuant to the Trust Order.
- (b) The expense of any act, document or other instrument or thing required under this Section 5.2 (including, for greater certainty, legal fees and expenses incurred in connection with any matter in relation to this Section 5.2) will be satisfied from the Property.

5.3 Property Vests in Successor Trustee

The right, title and interest of the Trustee in the Property shall vest automatically in any person who may hereafter become a Trustee upon his or her due appointment without any further act.

ARTICLE 6 DISTRIBUTIONS FROM THE TRUST

6.1 Distribution of the Proceeds of Disposition of Plan Consideration

Subject to Section 6.4, upon a sale or redemption of any Common Shares and upon the sale, maturity or payment under the Promissory Note, subject to the Share Terms and the terms of the Promissory Note, respectively, held pursuant to the Trust (for purposes of this Agreement, such sales, redemptions and similar dealings with the Plan Consideration are collectively referred to as a “**Disposition**”), the Trustee shall make a distribution to the Creditor Trust Members of an amount equal to the Cash proceeds of such Disposition (net of any fees and expenses properly payable under this Agreement, any reasonable holdback in respect of the Disposition, any reserve in respect of future expenses properly payable under this Agreement taking into account any remaining Property, and other amounts required to be paid pursuant to Applicable Law) as soon as possible upon receiving such Cash proceeds.

Any Cash proceeds distributed by the Trustee hereunder shall be paid to the Creditor Trust Members based on their Creditor Trust Entitlement.

In no event shall the Property in the form of the Common Shares or the Promissory Note be transferred to the Creditor Trust Members directly.

6.2 Additional Interim Distributions

Subject to Section 6.4, the Trustee may make additional Cash distributions out of income or capital of the Trust to the Creditor Trust Members based on their Creditor Trust Entitlement from time to time, if, in the opinion of the Trustee, it is in the best interests of the Trust to do so. Any income not distributed in a calendar year shall be accumulated and added to the capital of the Trust. All such distributions shall be made to Creditor Trust Members in accordance with Section 6.1 herein. If, at any time, the Trustee holds Cash in an amount that is at least CDN\$1,000,000 in excess of a reasonable reserve for the fees and expenses of the Trust, then the Trustee shall make an interim Cash distribution to Creditor Trust Members based on their Creditor Trust Entitlement from time to time.

6.3 Final Distribution to the Creditor Trust Members

Subject to Section 6.4, all Cash held in the Trust (net of any fees and expenses properly payable under this Agreement, any reserve in respect of future expenses properly payable under this Agreement and any obligations arising under the Share Terms upon a sale of the Common Shares, taking into account any remaining Property and other amounts required to be paid pursuant to Applicable Law) shall be distributed to the Creditor Trust Members in accordance with Section 6.1 herein by way of final distribution when all Property has been realized and Cash proceeds have been received by the Trustee.

6.4 Prohibited Distributions

Notwithstanding the foregoing, the Trustee shall not make any distribution referred to in Sections 6.1 through Section 6.3 to the Creditor Trust Members if such distribution would result in a contravention of the Share Terms or the terms of the Promissory Note. The Trustee hereby

confirms and acknowledges that in no event and at no time shall Property in the form of the Common Shares or the Promissory Note be distributed to the Creditor Trust Members.

6.5 Effect of Distributions

Upon the making of any distribution to the Creditor Trust Members pursuant to the terms of this Agreement, the amount thereof shall no longer constitute Property of the Trust.

6.6 Trustee Shall Not Make *De Minimus* Distributions

Notwithstanding any other term of this Agreement, the Trustee shall not be required to, but may in its sole and absolute discretion: (a) make Cash distributions to Creditor Trust Members pursuant to the terms of this Agreement in an amount less than CDN\$15,000; or (b) make any distributions pursuant to the terms of this Agreement in the event that the costs of making such payments exceed the value of such distributions. In such circumstances, the Trustee may hold such payments to be included as part of a future distribution upon further Cash becoming available or, in the event there is no residual Property in the Trust, may, in its sole and absolute discretion, distribute any residual Property of the Trust to a registered charity of its choice. For greater certainty, Property distributed to a charity pursuant to this section shall not include Common Shares or Promissory Notes.

6.7 Tax Requirements

Notwithstanding any other provision of this Agreement, each Creditor Trust Member that is to receive any distribution pursuant to this Agreement 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 Trustee shall be authorized but is not required to take any and all actions as may be necessary or appropriate to comply with any withholding and reporting requirements. All amounts withheld on account of Taxes shall be treated for all purposes as having been paid to the Creditor Trust Members in respect of which such withholding was made, provided such withheld amounts are remitted to the appropriate Governmental Authority.

ARTICLE 7 AMENDMENT AND TERMINATION

7.1 Amendment

The Trustee may at any time amend this Agreement in whole or in part provided that no amendment shall affect the obligations of the Settlor, or affect, abridge or in any way prejudice the Creditor Trust Members' rights to receive any distribution from the Trust. Notice of any such amendment shall be provided to the Settlor, and shall be included in the next ensuing notice provided by the Trustee to the Creditor Trust Members.

7.2 Termination of the Trust

The Trust terminates upon the earlier of: (i) there remaining no Property held under the Trust; or (ii) a final order being issued by the Court terminating the Trust on the terms described in such order.

**ARTICLE 8
MISCELLANEOUS**

8.1 Communication or Notice

Any communication or notice between the parties to this Agreement made in connection with the provisions of this Agreement shall be deemed sufficiently made if delivered personally or sent by facsimile or by prepaid first class mail addressed:

If to the Settlor, to:

Fraser Papers Inc.
Suite 200, P.O. Box 762
Brookfield Place, 181 Bay Street
Toronto, ON M5J 2T3

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

And to:

Thornton Grout Finnigan LLP
Suite 3200
100 Wellington Street West
Toronto, ON M5X 2N7

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

If to the Trustee to:

PricewaterhouseCoopers Inc.
Suite 3000, Box 82
Royal Trust Tower, TD Centre
77 King St. West
Toronto, ON M5K 1G8

Attention: John McKenna
Facsimile: (416) 814-3210

And to:

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

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

Any communication or notice so given shall be deemed to have been given and received when delivered personally or when sent by facsimile, or, subject to disruptions in the postal service, on the fifth (5th) business day following the day on which it was so mailed. The Settlor and the Trustee may from time to time by written notice change their respective addresses for notice hereunder; however, any communication or notice shall be deemed to have been given and received as aforesaid if delivered, faxed or mailed to the last address of the recipient on file with the sender.

In the event of a postal disruption, all communications and notices hereunder shall be delivered personally or sent by facsimile.

8.2 Notice of Alienation, Assignment and Execution

If the Trustee receives notice of any voluntary or involuntary assignment, seizure, garnishment or any process of law or execution or notice thereof in respect of any amount payable from the Trust to any Creditor Trust Member, it will amend its records accordingly, and all subsequent Distributions from the Trust shall take into account such assignment or execution.

8.3 Representations

The Settlor and the Trustee each represent that, subject to the terms of the Trust Order, they have the power and authority to enter into and perform their obligations under this Agreement and that this Agreement is valid and binding and enforceable in accordance with its terms.

8.4 Residency

Fraser Papers Inc./Papiers Fraser Inc., FPS Canada Inc. and the Trustee each represent that they are a resident of Canada within the meaning of the *Income Tax Act* (Canada).

8.5 Continuation of Agreement

The Trustee shall continue to be subject to this Agreement notwithstanding any cessation of the Settlor's corporate existence whether due to wind up, liquidation, bankruptcy or other means. For greater certainty, this Agreement shall terminate only according to the express terms herein and shall not terminate or be deemed to be terminated by reason solely of the cessation of the Settlor's corporate existence.

8.6 Compliance with Applicable Law

All Contributions to and distributions from the Trust shall be made in compliance with Applicable Law.

8.7 Entire Agreement

When taken together with the Plan, the Trust Order, the Sanction Order, and the Sanction Recognition Order, this Agreement shall constitute the entire agreement between the parties in respect of all matters herein. Its execution has not been induced by, nor do either of the parties hereto rely upon or regard as material, any representations or promises whatsoever not incorporated herein or made by a party hereto.

8.8 Governing Law

This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

IN WITNESS WHEREOF the parties have executed this Agreement, as a deed, with effect as of the date first above written.

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

SIGNED, SEALED AND DELIVERED

Per:

Glen McMillan, CRO

**PRICEWATERHOUSECOOPERS INC.,
solely in its capacity as Trustee
under this Agreement and not in
its personal or corporate capacity**

Per:

SCHEDULE "A"

Creditors' Advisory Committee

Nominee Member	Stakeholder Group
Name: Armand Renaud Address: E-mail: Telephone:	Committee Representing Unrepresented Employees and Former Employees (not pension plan representative)
Name: Address: E-mail: Telephone:	Quebec Pension Plans
Name: Address: E-mail: Telephone:	Trade Creditor

SCHEDULE "B"

PricewaterhouseCoopers Inc. - Fee Arrangements

PricewaterhouseCoopers Inc. ("PwC") has been appointed as trustee of the Creditor Trust pursuant to this Agreement and the Trust Order.

Subject to the Minimum Annual Amount (as defined below), PwC's fees will be based on the hours actually incurred by each staff member and the normal hourly rate for that individual, which are currently as follows:

	Cdn\$ / hr
Senior Vice President	700
Vice President	525
Manager	395
Senior Associate	295
Administrator	150

PwC's hourly rates are reviewed and adjusted annually on July 1 of each year.

In addition to the fees outlined above, PwC shall bill for all reasonable charges and expenses. Direct costs and expenses, including but not limited to legal fees, the costs of fiduciary insurance and travel will be charged as incurred. An amount of 5% of fees billed will be charged to cover costs such as web-site maintenance, photocopying, telephone, faxes and postage.

In addition to these fees, expenses and other charges, PwC shall bill for all applicable taxes.

The Minimum Annual Amount in respect of PwC's fees is Cdn\$20,000 excluding disbursements and applicable taxes.

Invoices for PwC's fees and disbursements will be rendered on a quarterly basis. Payment in full by the Creditor Trust is due upon receipt of invoice.

SCHEDULE "C"

Form of Change of Address Notice

TO: The Trustee of the Creditor Trust for certain Affected Creditors of Fraser Papers Inc. and its Affiliates (the "Trust")

The undersigned hereby gives notice to the Trustee of a change of address and/or contact information for the undersigned regarding the delivery of any further distributions and communications relating to the Trust. Effective _____ (insert date), the undersigned's address and contact information is as follows:

Mailing Address: _____

E-mail Address: _____

Telephone Number: _____

Execution and delivery of this Change of Address Notice may be made and evidenced by facsimile or other electronic transmission, which shall be deemed an original.

DATED at _____, as of the ____ day of _____, in the year ____.

Print Name of Creditor Trust Member

Signature of Creditor Trust Member or, if the Creditor Trust Member is a corporation, partnership or trust, signature of an authorized signing officer of the corporation, partnership or trust

Title of the authorized signing officer of the corporation, partnership or trust, if applicable

Please attach all supporting documents and information to this Change of Address Notice to validate and confirm the change of address contemplated herein.

SCHEDULE "D"

Form of Transfer

TO: The Trustee of the Creditor Trust for certain Affected Creditors of Fraser Papers Inc. and its Affiliates (the "Trust")

The undersigned hereby transfers and assigns all rights, title and interest in the undersigned's beneficial interest in the Trust and registered in the name of the undersigned to the following transferee:

Name of Transferee: _____

Mailing Address: _____

E-mail Address: _____

Telephone Number: _____

The undersigned hereby authorizes and directs the Trustee to forthwith register such transfer in the Trust's Beneficiary Register, and to provide any further distributions and communications relating to the Trust to the transferee at the contact information set out above, and the Trustee may consider this its good, sufficient and irrevocable authority for so doing.

Execution and delivery of this Form of Transfer may be made and evidenced by facsimile or other electronic transmission, which shall be deemed an original.

DATED at _____, as of the ____ day of _____, in the year ____.

Print Name of Transferor

Signature of Transferor or, if the Transferor is a corporation, partnership or trust, signature of an authorized signing officer of the corporation, partnership or trust

Mailing Address of Transferor

Title of the authorized signing officer of the corporation, partnership or trust, if applicable

E-mail Address of Transferor

Telephone number of Transferor or authorized
signing officer

Please attach all supporting documents and information to this Form of Transfer to validate and confirm the transfer contemplated herein

EXHIBIT “N”

FraserPapers

Glen McMillan
Chief Restructuring Officer

February 1, 2011

TO: All creditors having claims against Fraser Papers Inc. / Papiers Fraser Inc., FPS Canada, Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited and Fraser N.H. LLC (collectively, the "Companies")

The Companies have been operating under a Court supervised restructuring pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") in Canada and under Chapter 15 of the *U.S. Bankruptcy Code* since June 18, 2009. PricewaterhouseCoopers Inc. acts as court-appointed Monitor (the "Monitor") of the Companies.

The Companies presented a formal Plan of Compromise and Arrangement (the "Original Plan") to their creditors at a meeting held on Monday, January 10, 2011. Notwithstanding that 94.8% of all votes cast (by number) were in favour of the Original Plan, the plan was not approved as a result of certain claims, with a significant dollar value in respect of the Canadian pension plans, voting to reject the Original Plan. The Companies have now filed a formal Amended Plan of Compromise and Arrangement (the "Amended Plan") with the support of the Administrator of the New Brunswick pension plans, certain other key stakeholders and with the support of the Monitor.

The Amended Plan is substantially similar to the Original Plan and, from a recovery standpoint, is as financially beneficial to creditors as the Original Plan. The Monitor's Seventeenth Report dated January 31, 2011 provides details of the amendments contained in the Amended Plan.

Voting Procedures

The meeting to vote on the Amended Plan will be held on Tuesday, February 8, 2011 at 10:00 a.m. EST (the "February Meeting") at the offices of Thornton Grout Finnigan LLP, Canadian Pacific Tower, Toronto-Dominion Centre, 100 Wellington Street West, Suite 3200, Toronto, Ontario M5K 1K7. If you filed a Proxy to vote at the prior meeting, then your previously filed Proxy will be counted at the February Meeting and you are not required to file a new Proxy to vote at the February Meeting, unless you wish to change or revoke your vote in accordance with the procedures set out in the enclosed instructions to the Proxy.

If you did not vote at the prior meeting and you wish to exercise your vote at the February Meeting you may do so in one of two ways. Firstly, you can attend in person or you can designate somebody to attend and vote for you by filling out the Proxy. Secondly, you can check the "yes" or "no" box in section 1 of the Proxy, sign the form and send it to the Monitor by regular mail, email or fax. If you or your designate are not attending the February Meeting, the Monitor must receive your Proxy by 2:00 p.m. EST on February 7, 2011 in order for your Proxy to be counted.

If you have any questions about any aspect of the Amended Plan, please contact the Monitor (416-815-5118 or 877-332-1688 or FPMonitor@ca.pwc.com) or myself.

Sincerely,



Glen McMillan,
Chief Restructuring Officer of the Companies

Fraser Papers Inc.
Suite 200, Brookfield Place
181 Bay Street
Toronto, Ontario M5J 2T3
CANADA

Tel 416-359-8635
Fax 416-359-8606
gmcmillan@toronto.fraserpapers.com
www.fraserpapers.com

EXHIBIT “O”



HUMAN RESOURCES
LAW AND ADVOCACY

Hicks Morley Hamilton Stewart Storie LLP
TD Tower, 66 Wellington St. W., 30th Floor, Box 371
Toronto, ON M5K 1K8
Tel: 416.362.1011 Fax: 416.362.9680

ELIZABETH M. BROWN
elizabeth-brown@hicksmorley.com
Direct: 416.864.7210
Cell: 416.457.8836

Toronto
Waterloo
London
Kingston
Ottawa

File No. 7981-1
December 22, 2010

STRICTLY PRIVILEGED & CONFIDENTIAL

VIA FAX (416.960.2819)

Mr. Lyle Teichman
Towers Watson
175 Bloor St. E.
Toronto, ON M4W 3T6

VIA FAX (416.868.0322)

Mr. Paul Forestell
Mercer
161 Bay Street
BCE Place, P.O. Box 501
Toronto, ON M5J 2S5

Dear Messrs. Teichman and Forestell:

Re: Notice of Hearing Before the Labour and Employment Board, New Brunswick

We are writing to advise you of a hearing which is scheduled to occur on December 29 and 30, 2010 relating to a pension plan formerly administered by Fraser Papers Inc. and in respect of which your firm previously provided actuarial and/third party administration services.

Fraser Papers Inc. is presently under *Companies Creditors Arrangement Act* protection. A meeting of the creditors entitled to vote on a plan of arrangement is being held on Monday, January 10, 2011 at 10 a.m. (EST). If the creditors approve the plan, the application for a sanction Order will be heard on January 12, 2011. For more information about the CCAA proceeding and to file a notice of appearance in the matter, please refer to the Price Waterhouse Coopers website (<http://www.pwc.com/ca/en/car/fraser-papers/index.ihml>).

As part of the CCAA restructuring, the pension plans of Fraser Papers are being wound up. The hearing scheduled to occur next week is in relation to the terms of one of the wound up pension plans.



HUMAN RESOURCES
LAW AND ADVOCACY

Specifically, the Superintendent of Pensions in New Brunswick issued an Order dated November 26, 2010 related to the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. (New Brunswick Registration Number 0251264), in which the Superintendent partially revoked the registration of an amended and restated version of the Plan effective January 1, 2005.

The revocation relates to a provision that became effective January 1, 2005 relating to the benefit payable to members that terminate employment prior to retirement age but after completing 20 years of continuous service. The effect of the Order, if upheld, is to significantly increase the wind up deficit in the Pension Plan.

In making this Order, the Superintendent relied upon certain facts presented by Morneau Sobeco Limited Partnership, the administrator appointed by the Superintendent, including an analysis of plan calculations prepared by the Plan's actuaries for members who terminated, died or had marriage breakdowns prior to age 55, but with 20 or more years of continuous service. Calculations by both Towers Watson (when it was Towers Perrin) and Mercer were reviewed as were actuarial funding reports prepared by your firms.

Enclosed please find the Notice of Hearing as well as a copy of Fraser Papers' proposal for agreed facts for purposes of this hearing which are based, in large part, on the Superintendent's Order. We have proposed that the agreed facts be used solely for purposes of completing the expedited hearing next week and without prejudice to the position of any party, including your firms, to take a contrary position in another proceeding (and without prejudice to one or both of your firms taking a contrary position in this hearing should you seek to participate).

I would be happy to discuss this with you. Please do not hesitate to contact me or D.J. Miller who is insolvency counsel to Fraser Papers and can be reached at 416-304-0559.

Yours very truly,

A handwritten signature in black ink, appearing to read "EM Brown". The signature is fluid and cursive.

Elizabeth M. Brown

Enclosure

c: D.J. Miller, Thornton Grout Finnigan LLP (via email)
Glen McMillan, Fraser Papers Inc. (via email)
Rachel Arbour

DEC 21 2010



FILE NO. PA-003-10

No. DE DOSSIER PA-003-10

**NOTICE OF HEARING
BEFORE THE LABOUR AND
EMPLOYMENT BOARD**

**AVIS D'AUDITION
DEVANT LA COMMISSION DU
TRAVAIL ET DE L'EMPLOI**

*(Pension Benefits Act, S.N.B.
c. P-5.1, s. 77(1))*

*(Loi sur les prestations de pension, L.N.-B.
chap. P 5.1, art. 77(1))*

TO/À: Elizabeth M. Brown
Hicks Morley Hamilton Stewart Storie
HD Tower, 66 Wellington Street West
30th Floor, Box 372
Toronto, ON M5K 1K8

TAKE NOTICE the Labour and Employment Board, by agreement of the parties, will hear the matter identified below on **Wednesday, December 29, 2010 and Thursday, December 30, 2010 at 9:30 a.m.** at the offices of the Board, 435 King Street, Suite 200, Fredericton, NB. The hearing is being held under Section 74 of the Pension Benefits Act.

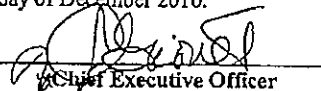
The matter concerns the following issue:

In the matter of the *Pension Benefits Act* and in the matter of a Request to Refer a Decision of the Superintendent of Pensions dated November 25, 2010 affecting Fraser Papers Inc. and the Pensions Committee of the Fraser Edmundston Retirees Association.

You may obtain further information in the proceedings by writing to the undersigned at 435 King Street, Suite 200, Fredericton, N.B., E3B 1E5 or telephone (506) 453-2881.

IF YOU DO NOT ATTEND THE HEARING, THE BOARD MAY PROCEED IN YOUR ABSENCE AND YOU ARE NOT ENTITLED TO NOTICE OF ANY FURTHER PROCEEDINGS.

DATED at Fredericton, New Brunswick, the 17th day of December 2010.


Chief Executive Officer
Labour and Employment Board

Copy: Fraser Papers Inc.

SOYEZ AVISÉ QUE la Commission du travail et de l'emploi entendra les affaires susmentionnées à compter de au bureau de la Commission, 435, rue King, Pièce 200, Fredericton, N.-B. L'audition se tient en vertu de l'article 74 de la Loi sur les prestations de pension.

L'affaire a trait aux litiges suivants:

Pour obtenir des renseignements complémentaires sur la procédure, vous pouvez écrire ou téléphoner au soussigné, 435, rue King, Pièce 200, Fredericton, N.-B., E3B 1E5, (506) 453-2881.

SI VOUS NE VOUS PRÉSENTEZ PAS À L'AUDITION, LA COMMISSION PEUT PROCÉDER À L'AUDITION EN VOTRE ABSENCE ET IL N'Y AURA PAS LIEU DE VOUS INFORMER DE LA SUITE DES PROCÉDURES.

FAIT à Fredericton, Nouveau-Brunswick, le 2010.

Cheffe administrative
Commission du travail et de l'emploi

December 15, 2010

Mr. Robert D. Breen, Q.C.
Chairperson,
Labour and Employment Board
435 King Street, Suite 200
Fredericton, NB E3B 1E5

PA-003-10
Province of New Brunswick
Received
DEC 17 2010
Labour and Employment Board

Mr. Breen:

Subject: In the matter of the *Pension Benefits Act* and a Request to Refer an Order of the Superintendent of Pensions dated November 25, 2010 by Fraser Papers Inc. and by the Pension Committee of the Fraser Edmundston Retirees Association

In accordance with subsection 73(2) of the *Pension Benefits Act*, I am forwarding to the Board:

- a copy of the Request to Refer made by Ms. Elizabeth M. Brown on behalf of Fraser Papers Inc. dated December 6, 2010;
- a copy of the Request to Refer made by Mr. Norman Pelletier and Mr. Conrad Pelletier on behalf of the Pension Committee of the Fraser Edmundston Retirees Association dated December 14, 2010; and
- a copy of the Superintendent's Order dated November 25, 2010.

In accordance with paragraph 73(2)(c) of the *Pension Benefits Act* I request the Board arrange for the hearing of the matter. As you will note from Ms. Brown's letter, Fraser Papers Inc. has requested this matter be expedited and that the Board arrange for a hearing as soon as possible.

I would also like to draw the Board's attention to a related matter. Fraser Papers Inc. is presently under *Companies Creditors Arrangement Act* protection. They have presented a Plan of Arrangement to the Ontario courts in this matter. On December 3, 2010, Justice Pepall of the Ontario Superior Court of Justice (Commercial List) approved the form of the plan of arrangement and the calling of a creditor meeting. A meeting of creditors entitled to vote on the plan of arrangement is being held on Monday, January 10, 2011 at 10 a.m. (EST). If the creditors approve the plan, the application for a Sanction Order will be heard on January 12, 2011 at 10:00 a.m. (EST). It should be noted that the interim stay of the Superintendent's November 25, 2010 Order pending the disposition of the matter by the Labour and Employment Board may negatively impact the quantum of the vote held by the pension plan in the CCAA matter,

particularly in relation to the creditors' meeting and vote on January 10, 2011. We will, therefore, consent to Fraser Paper Inc.'s request that the hearing of this matter be expedited. Further, we will move that the Board lift the stay of the Order pursuant to subsection 73(4) of the *Pension Benefits Act* if the scheduling of the Board's decision extends the stay beyond January 10, 2011.

I would also note there are a number of plan members and retirees whose first language is French. As a result, I would request translation services be available for the hearing so that all interested parties can fully comprehend the proceedings.

To the best of my knowledge, the potentially affected or interested parties are as follows:

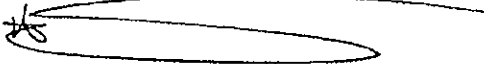
CEP - National c/o Jesse B. Kugler CaleyWray Labour/Employment Lawyers 1600 - 65 Queen Street West Toronto, ON M5H 2M5 Tel: 416-775-4677 Fax: 416-366-3293	Morneau Sobeco Limited Partnership, In its capacity as Administrator for the Pension Plan c/o Paul Chang Morneau Sobeco 5151 George St., Ste. 1700 Halifax, NS B3J 1M5 Tel: 902-429-8013 Fax: 902-420-1932	CEP - Local 4N c/o Raymond Martin, President 49 avenue Breau Edmundston, NB E3V 3Z4
CEP - Local 6N c/o Pierre Picard President 72 Beaulieu Edmundston, NB E3V 1N6 Tel : 506-735-5238	CEP - Local 160 c/o Michel Leblanc President Tel : 506-789-4126 Tel : 506-753-9462	CEP - Local 29 c/o Doris Lavoie President Tel: 506 263-8685 Tel: 506 736-8051
New Brunswick Regional Council of Carpenters, Millwrights & Allied Workers - Local 2450 c/o Kent LeBel Tel: 506-356-5592		

In addition to the above listed groups, individual plan members and retirees may also be interested in attending the hearing. The plan administrator, Morneau Sobeco, has

indicated to the Superintendent of Pensions that they are willing to assist the Board in ensuring all plan members and retirees have notice of the hearing. They have a complete list of addresses for all members and retirees of the plan. Although they cannot share this personal information, they are willing to mail out any hearing notice the Board provides to them, to all members and retirees of the plan.

The Superintendent of Pensions will be represented at the hearing by Mr. Peter MacPhail of Gorman Nason. Mr. MacPhail may be reached by fax at 506-634-8686 or by telephone at 506-634-8600.

Sincerely,

A handwritten signature in black ink, appearing to read "AS", enclosed within a hand-drawn oval.

Angela Mazerolle Stephens
Superintendent of Pensions

Enclosures (3)



HUMAN RESOURCES
LAW AND ADVOCACY

Hicks Morley Hamilton Stewart Sterle LLP
TD Tower, 66 Wellington St. W., 30th Floor, Box 371
Toronto, ON M5X 1K8
Tel: 416.362.1011 Fax: 416.362.9680

ELIZABETH M. BROWN
elizabeth.brown@hicksmorley.com
Direct: 416.864.7210
Cell: 416.457.8836

Toronto

Waterloo

London

Mississauga

Ottawa

File No. 7981-1
December 6, 2010

SENT BY FAX (506-457-7266) AND EMAIL (Angela.MazarolleStephens@gnb.ca)

Ms. Angela Mazarolle Stephens
Superintendent of Pensions
Office of the Superintendent of Pensions
Department of Justice and Consumer Affairs
Frederick Square, Suite 450
77 Westmoreland Street
P.O. Box 6000
Fredericton, NB E3B 5H1

Dear Ms. Mazarolle Stephens:

Re: Order of the Superintendent of Pensions dated November 25, 2010
In the Matter of the Pension Plan for New Brunswick Hourly Paid Employees
of Fraser Papers Inc. (NB Reg #0251264)

We are in receipt of your Order dated November 25, 2010 in the matter of the partial revocation of registration of an amendment and plan restatement effective January 1, 2005.

Pursuant to section 73(1) of the *Pension Benefits Act* (the "PBA"), Fraser Papers Inc. requests that the Superintendent refer the matter to the Labour and Employment Board (the "Board") established under the *Labour and Employment Board Act*.

In referring this matter to the Board in accordance with section 73(2) of the PBA, it is the Company's request that the Superintendent expedite this process and that in doing so, the Superintendent request that the Board arrange to hear the matter as soon as possible.

Yours very truly,

A handwritten signature in cursive script, appearing to read "EMB".

Elizabeth M. Brown

EMB/RMA/kwd

c: G. McMillan, Fraser Papers Inc. (via email)
D.J. Miller, Thorton Grout Finnegan LLP (via email)

FRASER EDMUNDSTON RETIREES ASSOCIATION INC.

(Via email)

December 14, 2010

Mrs. Angela Mazerolle Stephens
NB Superintendent of Pensions
Office of the Superintendent of Pensions
P.O. Box 6000
Fredericton, NB E3B 5H1

Dear Mrs. Stephens,

Subject:

- (a) Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc (NB Reg. #0251264), and
- (b) Order from NB Superintendent of Pensions to Morneau Sobeco dated November 25, 2010

The Pension Committee of the Fraser Edmundston Retirees Association met this evening to discuss the above Order, and voted to appeal the November 25, 2010 Order which negatively impacts pension payments to beneficiaries of the subject pension plan.

Could you please take notice of this Committee's intention to appeal the November 25, 2010 order, and notify all concerned parties who are not included in the distribution of this letter of this group's request for a hearing with the NB Labor and Employment Board?

The Fraser Edmundston Retirees Association comprises over 300 members who are beneficiaries of the Fraser NB Hourly plan and the Fraser NB Salaried plan. The Pension Committee of this Association also comprises beneficiaries from both of these Fraser pension plans (please see below for details).

Thank you very much for your collaboration in this matter.

Sincerely,

Norman Pelletier, President of Fraser Edmundston Retirees Association
(506) 735-5468

Conrad Pelletier, President of Pension Committee
(506) 992-3577
cgpel@yahoo.ca

*Fraser Edmundston Retirees Association
27 Rice Street
Edmundston, NB E3V 1S9*

cc: NB Labor and Employment Board: LEB-CTE@gnb.ca
NB Minister of Justice and Consumer Affairs: Marie-Claude.Blais@gnb.ca
Chef de Cabinet for Ms. Blais: Yves.M.Leger@gnb.ca
Mr. Yvon Bonenfant (MLA): Yvon.Bonenfant@gnb.ca

Members of Pension Committee of the Fraser Edmundston Retirees Association Inc.

Conrad Pelletier (Hourly Plan beneficiary)
Pat Aube (Hourly Plan beneficiary)
Gerald Nadeau (Hourly Plan beneficiary)
Rino Lizotte (Hourly Plan beneficiary)
Roland Bernier (Hourly Plan beneficiary)
Normand Pelletier
Guy Hebert
Carl Cyr

*Fraser Edmundston Retirees Association
27 Rice Street
Edmundston, NB E3V 1S9*



IN THE MATTER of the Pension Plan for New Brunswick Hourly Paid
Employees of Fraser Papers Inc. (NB Reg. # 0251264);

and

IN THE MATTER of partial revocation of registration of an
amendment and plan restatement, effective January 1, 2005.

ORDER OF THE SUPERINTENDENT OF PENSIONS

Date of Order: November 25, 2010

To: **Morneau Sobeco Limited Partnership**
Attn: Mr. Paul Chang
5151 George Street, Ste. 1700
Halifax, NS B3J 1M5

Copy: **Fraser Papers Inc.**
Attn: Glen McMillan
Suite 200, Brookfield Place
181 Bay Street
Toronto, ON M5J 2T3
Via E-mail Only

COPY

FACTS:

By letter dated April 29, 2008, Fraser Papers Inc. submitted a plan restatement which included plan amendments for the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. - NB Reg. # 0251264 (the "Pension Plan"). This letter, received by the Office of the Superintendent of Pensions on May 5, 2008, attached the requisite documents for amending a pension plan. Specifically, the requisite filing fee, Form 2 – Application for Registration of Amendment to Pension Plan, the company resolution amending the Pension Plan, and a copy of the plan text identified as being Amended and Restated as of January 1, 2005 (the "2005 Restated Plan Text") were submitted as required by section 11 of the *Pension Benefits Act*.

The plan amendments, which were contained as part of the 261 page 2005 Restated Plan Text, were described in both Form 2 and in the company resolution as being a restatement incorporating: transfer of plan sponsorship, partial plan termination, compliance amendments, negotiated benefit improvements, membership closure under part 9, option for DC accrual for certain members, and early retirement windows. The Office of the Superintendent of Pensions reviewed the provisions of the 2005 Restated Plan Text which were identified as having been amended, and found them acceptable. The 2005 Restated Plan Text was registered by the Office of the Superintendent of Pensions by letter dated April 1, 2010.

Fraser Papers Inc. ("Fraser Papers"), the employer under the Pension Plan, was also the plan administrator. On June 18, 2009, Fraser Papers sought and was granted protection from its creditors under the *Companies' Creditors Arrangement Act*, with the requisite declaration of insolvency. Pursuant to section 52 of the *Pension Benefits Act*, if the administrator of the pension plan is the employer and the employer is insolvent, the Superintendent may act as administrator or appoint an administrator of the plan. As a result, the Superintendent of Pensions terminated Fraser Papers' function as administrator, and appointed Morneau Sobeco Limited Partnership ("Morneau Sobeco") as the plan administrator effective March 10, 2010.

By Order dated April 1, 2010, the Superintendent of Pensions ordered Morneau Sobeco to wind-up the defined benefit provisions of the Pension Plan, effective March 31, 2010. Since that time, Morneau Sobeco has been collecting data and verifying plan terms in order to determine the wind-up position of the Pension Plan and finalize a Proof of Claim on behalf of the Pension Plan in the *Companies' Creditors Arrangement Act* proceedings.

During review of the plan terms, it came to the Superintendent's attention that a significant wording change in termination benefits was included in the 2005 Restated Plan Text without being specifically mentioned in either the company

resolution amending the plan or in Form 2 – Application for Registration of Amendment to Pension Plan.

ISSUES / INVESTIGATION:

From both the Superintendent's analysis of the plan texts and Morneau Sobeco's analysis of the plan texts, the amended wording contained in section 6.03 of Parts 2, 3, 4, 5, 6, 8, 9, 10, and 11 of the 2005 Restated Plan Text altered the termination benefit for plan members with 20 or more years of continuous service that are under age 55 at the date of termination. The wording prior to the 2005 Restated Plan Text, which existed since the January 1, 1992 restated plan text, when combined with the early retirement provisions of the plan, appears to provide that members with 20 years of continuous service who terminated from the pension plan were entitled to an unreduced pension at age 58, regardless of their age at the date of termination. The relevant wording of the 1992, 1993 and 1998 Pension Plan texts (collectively the "1992/1998 Pension Plan documents") is contained in sections 6.04 and 8.01. The amended wording provides that members who terminate prior to age 55 must wait until age 65 to receive an unreduced pension, regardless of the amount of continuous service they have at termination.

During discussions with Morneau Sobeco, the Superintendent of Pensions was informed that Fraser Papers had indicated to Morneau Sobeco that the wording in the 1992/1998 Pension Plan documents were simply drafting errors. They indicated to Morneau Sobeco that notwithstanding the wording in the 1992/1998 Pension Plan documents, the Pension Plan had historically been administered in the manner suggested in paragraph 6.03 of the 2005 Restated Plan Text. As such, their position was that they were simply correcting a drafting error and not amending the termination provisions with the 2005 Restated Plan Text.

By letter dated October 4, 2010, the Superintendent of Pensions requested Morneau Sobeco provide her with any and all documentation or information that would demonstrate the Pension Plan had historically been administered in accordance with the 2005 Restated Plan Text. Further, she requested any documentation or information that would suggest the Pension Plan was historically administered in accordance with the 1992/1998 Pension Plan documents also be forwarded to her at the same time.

By letter dated October 20, 2010, Morneau Sobeco provided the requested information. In summary, the information provided in support of a drafting error indicated that:

1. Fraser Papers requested a legal opinion on this matter from McCarthy Tetrault on June 1, 2007. In that letter, Fraser Papers indicated the 2005 Restated Plan Text was consistent with how this benefit is provided by other companies in the industry. Fraser Papers was

unable to provide any legal opinion they may have received on this matter.

2. Fraser Papers advised two employees in 2007 they were not entitled to an unreduced pension at age 58. No grievances were filed on these matters, notwithstanding the fact at least one of these employees was closely tied with the union (having terminated to become a national union representative).
3. Fraser Papers indicated to Morneau Sobeco the Pension Plan had never been administered in accordance with the 1992/1998 Pension Plan documents.
4. Watson Wyatt (used for administration and consulting services up to circa 1995/1996) did not include the value of the benefit in their administration calculations (based on 2 calculations), nor does it appear they included it in their funding valuations.
5. It does not appear that Mercer (who performed actuarial services from 1995 to 2002) included the benefit in their funding valuations.
6. Towers Perrin, who performed consulting services from 2003 to 2010, did not include the benefit in their 2002 and 2004 funding valuations.

The information provided in Morneau Sobeco's October 20, 2010 letter which does not support a drafting error is as follows:

1. Analysis of plan calculations for members who terminated, died or had marriage breakdowns prior to age 55 but with 20 or more years of continuous service between 1995/1996 (the earliest administration files available to Morneau Sobeco) and 2003, shows termination benefits were calculated without exception based on the 1992/1998 Pension Plan documents. Specifically:
 - All ten (10) Mercer administration calculations which met the criteria for analysis (under age 55 but with 20 or more years of continuous service) determined the commuted value based on an unreduced pension at age 58.
 - Nine (9) of these ten (10) termination statements specifically indicate the member is entitled to an unreduced pension at age 58.
 - All four (4) Towers Perrin calculations from 2001 to 2003 which met the criteria for analysis are consistent with the 1992/1998 Pension Plan documents. Starting on January 1, 2004, the calculations are based on the 2005 Restated Plan Text.

- This analysis suggests the Pension Plan was administered in accordance with the 1992/1998 Pension Plan documents from at least 1995/1996 until sometime in 2003.
2. Mercer included the benefit in determining the conversion values for Plaster Rock employees in their December 31, 1996 valuation report. For members with 20 years of continuous service at the conversion date, Morneau Sobeco has confirmed the conversion value was determined based on an unreduced pension at age 58.
 3. Member annual statements sent to members of the "Scaler" division from Dec. 31, 2000 to Dec. 31, 2003 are consistent with the language of the 1992/1998 Pension Plan documents.
 4. There are various memos and letters from Bernard LeBlanc to certain members of the plan who would have been under age 55 at their date of termination which indicate they are entitled to an unreduced pension at age 58 as they had 20+ years of continuous service at the date of termination.
 5. The March 18, 1996 Letter of Understanding between Fraser Papers and Local 160 contains the following statement on Page 5 under the heading "Unreduced Pension":
 - Therefore an employee who has 20 years of service prior to termination shall be entitled to unreduced pension at age 58.

Following receipt of the above-mentioned letter from Morneau Sobeco, the Superintendent of Pensions contacted Mr. Bernard LeBlanc, Director – Pension Administration with Fraser Papers by telephone on October 25, 2010. The Superintendent reviewed the information in support of a drafting error provided by Morneau Sobeco. Mr. LeBlanc confirmed the accuracy of this information and indicated Fraser Papers had no further documentation or information to add in support of their position. The Superintendent of Pensions also communicated that analysis performed by Morneau Sobeco indicated all termination statements prepared from approximately 1996 to 2003 for members under age 55 but with 20 or more years of continuous service were done on the basis of an unreduced retirement at age 58. Mr. LeBlanc expressed surprise at the various termination calculations done in this manner, but had no explanation for them. He reiterated that to his knowledge, the Pension Plan had never been administered in accordance with the 1992/1998 Pension Plan documents.

On November 4, 2010, the Superintendent of Pensions spoke with Glen McMillan, Chief Financial Officer of Fraser Papers. Mr. McMillan indicated that

he had only recently become aware of the issue, and asked for an explanation of what had transpired to date. The Superintendent reviewed the facts as outlined above, as well as the information provided to her by both Morneau Sobeco and Bernard LeBlanc. Mr. McMillan requested some time to speak with Fraser Papers' actuaries to determine what additional information they could provide prior to an order being issued.

On November 12, 2010, Mr. McMillan indicated to the Superintendent that he had spoken with former employees of Mercer as well as individuals with Fraser Papers, and that Fraser Papers' decision to leave Mercer was in part due to the poor administrative service they received from Mercer's. He indicated there had been calculation errors, and provided slides and meeting minutes surrounding their decision to move their actuarial valuation process from Mercer to Towers Perrin in 2002. However, none of the documentation provided referred specifically to the unreduced retirement age issue. Mr. McMillan indicated that notwithstanding the information the Superintendent had already received, Fraser Papers' position was that the pension plan terms had never granted unreduced retirement at age 58 for anybody who terminated prior to age 55. The fact that the plan had been administered in this manner for a period of time was the mistake of the administrative service provider, and did not reflect the position of Fraser Papers.

The Superintendent of Pensions also spoke with Elizabeth Brown of Hicks Morley, legal counsel to Fraser Papers, on November 15, 2010 and received a letter from Ms. Brown on November 16, 2010 outlining Fraser Papers' interpretation of applicable provisions of the Pension Plan in effect prior to the 2005 Restated Plan Text.

In short, Fraser Papers' position as articulated by Ms. Brown is that the definitions of "Normal Early Retirement Date" and "Advanced Early Retirement Date" in the 1992/1998 Pension Plan documents require a member to be at least age 55 on his termination date to be eligible for an unreduced pension at age 58. They further submit that the "appropriate" table referred to in section 8.01 of the 1992/1998 Pension Plan documents is the table found in section 6.04(b) regardless of how much service a member had at the termination date. This table would necessarily apply to all Deferred Vested Members because none will ever reach an "Advanced Early Retirement Date" as that term is defined in the 1992/1998 Pension Plan documents. Fraser Papers also conceded there may be more than one interpretation of the deferred vested section of the 1992/1998 Pension Plan documents.

Fraser Papers further submits that the decision of the union not to grieve a termination of an employee in 2007 who terminated with 20 or more years of service but who was under age 55 at the date of termination and received a termination benefit based on an unreduced pension at age 65, indicates the union was in agreement with Fraser Papers' interpretation of the Pension Plan.

Finally, Fraser Papers submits that the 2004 – 2009 collective agreement with Local 29 clearly indicates that subsidized early retirement was not available to a plan member that had not attained age 55, and applies only to members who retire directly from the company. The relevant portions of the collective agreement are as follows:

67.11 Retirement Age

- a) A member who has a minimum of twenty (20) years of Continuous Service at the time of his retirement, and who is then 58 years of age or more, shall be entitled to benefits calculated in the same manner as if it were for a Normal Retirement.
- b) Effective July 1, 2009, the pension plan rules will be modified such that an active employee retiring at age 57 or more with at least 20 years of continuous service will be entitled to an unreduced pension and bridge benefit, subject to the minimum reductions imposed under the Income Tax Act (Rule of 80).
- c) Members may elect to take an early retirement pension on or after age 55 provided they have at least 20 years of Continuous Service, with a reduction of ½% for each month (6% per annum) by which such early retirement precedes the attainment of age 58, subject to the minimum reduction required by the Regulations under the Income Tax Act.

The Superintendent of Pensions spoke with both Doris Lavoie, President Local 29, and Mario Theriault, Executive Member of Local 29 on November 17, 2010 to ascertain their understanding of the Pension Plan provisions regarding entitlement for unreduced pension for terminating members. Both indicated their understanding of the collective agreement and the Pension Plan documents was that all members with 20 or more years of continuous service were entitled to an unreduced pension at age 58 regardless of their age at termination.

FINDINGS:

The Superintendent of Pensions finds the 1992/1998 Pension Plan documents granted unreduced retirement at age 58 to members with 20 or more years of continuous service. Although there could arguably be more than one interpretation of the termination benefits, it seems the most reasonable interpretation directs readers to the "appropriate table" based solely upon years of continuous service. Of note in this regard is the fact that both tables produced in sections 6.04 (a) and (b) refer to an Employee Member at his Advanced Early Retirement Date with virtually identical wording. The only distinguishing element between the two tables is whether the Employee Member had 20 years or more

of continuous service, or less than 20 years of continuous service. Further, the administrative practice indicates that on a balance of probabilities the termination benefit wording contained in the 1992/1998 Pension Plan documents was intended to grant an unreduced retirement at age 58 for all members with 20 or more years of continuous service.

The 2004-2009 collective agreement relied upon by Fraser Papers does not state whether or not a member with 20 or more years of continuous service must retire from active service to be eligible for an unreduced pension at age 58. Section 67.11(b) is the only part of the Retirement Age provision which requires retirement from active service. As such, the collective agreement does not seem to shed additional light on the intention of the 1992/1998 Pension Plan documents. Further, the 1996 Letter of Understanding between Fraser Papers and Local 160 clearly states an intention for all employees with 20 or more years of continuous service prior to termination to be entitled to an unreduced pension at age 58.

From the documentation supplied, it is clear that although the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. was historically not valued for funding purposes on the basis of an unreduced pension at age 58 for all members with 20 or more years of continuous service, it was certainly administered on that basis without exception from 1996 until the end of 2003. This time period included two separate administrative service providers calculating benefits in this manner. The incidences of calculations and statements which reflect administration in accordance with the 1992/1998 Pension Plan documents is simply too great to accept they were the isolated mistakes of a rogue service provider.

Rather, from the documentation supplied, I find the Plan was administered in accordance with the 1992/1998 Pension Plan documents until Towers Watson took over actuarial consulting services for the plan in 2003 and raised the issue with Fraser Papers. From January 1, 2004 onwards, the plan appears to have been administered in compliance with the 2005 Restated Plan Text.

The only method of amending a pension plan is to do so in accordance with section 11 of the *Pension Benefits Act*. As a result, the change to the termination benefit wording for members with 20 or more years of continuous service found in section 6.03 of the 2005 Restated Plan Text should have been specifically identified in Form 2 and in the company resolution. This is the case regardless of whether Fraser Papers' intention was to clarify the provision, or to amend the benefit provided. As mentioned above, I find the 2005 Restated Plan Text did alter the benefit provided to terminating members with 20 or more years of continuous service, rather than just clarify this provision.

Even if the amendment had been properly identified, it would also have to comply with section 12 of the *Pension Benefits Act*. This provision renders void any

amendment that purports to reduce the amount or the commuted value of an ancillary benefit that a member or former member is receiving or for which a member has satisfied all eligibility conditions at the effective date of the amendment. As such, the change to the termination benefits for members with 20 or more years of continuous service found in section 6.03 of the 2005 Restated Plan Text, even if properly filed, could not have amended this benefit for members or former members of the plan who had already amassed 20 or more years of continuous service at the date of amendment. Further, as an adverse amendment, notice to those that could have been affected by the amendment would have had to be given pursuant to section 24 of the *Pension Benefits Act* prior to the amendment being registered.

I therefore find the amendment to the termination benefits for members with 20 or more years of continuous service contained within the 2005 Restated Plan Text, and registered by the Office of the Superintendent of Pensions on April 1, 2010, was a void amendment for all members who had already amassed 20 or more years of continuous service. For all other members, I find the filed documents and notice requirements for the above-mentioned amendment did not comply with the *Pension Benefits Act* and the regulations.

ORDER:

Therefore, pursuant to paragraph 13(1)(e) of the *Pension Benefits Act*, I hereby revoke the registration of that portion of the 2005 Restated Plan Text which altered the termination benefits for members with 20 or more years of continuous service. All remaining provisions of the 2005 Restated Plan Text remain valid.

Pursuant to subsection 13(4) of the *Pension Benefits Act*, this revocation operates to terminate that portion of the amendment as of January 1, 2005.

The administrator shall transmit notice of this Order to each member and former member of the plan, each trade union that represents members of the plan, and any other persons entitled to payment from the pension funds.

The Notice shall contain a brief summary of this Order, together with a general explanation of the possible consequences on the funded level of the plan.

Issued at Fredericton, New Brunswick this 25th day of November, 2010.



Angela Mazerolle Stephens
Superintendent of Pensions

PROCEEDINGS BEFORE THE LABOUR AND EMPLOYMENT BOARD

Hearings before the Labour And Employment Board are formal in nature although strict adherence to rules of procedure and evidence may not be required.

Prior to the hearing the parties should review the provisions of the *Pension Benefits Act* and consider whether a lawyer would assist in their presentations before the Board.

The parties should appear at the hearing in person or, if a corporation, an officer of the corporation or someone with authority to speak on behalf of the corporation should be in attendance.

At the hearing the parties are given the opportunity to call witnesses and introduce any evidence which may support their case. Documents may be entered as exhibits and become part of the evidence for the parties. Each side may cross-examine each other's witnesses and, at the conclusion of presentation of evidence, give argument or sum up their respective positions. After the hearing has been completed, a written decision will be issued to the parties.

If a person who has been notified of a hearing does not attend, the Board may proceed in his absence and he is not entitled to notice of any further proceedings.

PROCÉDURES DEVANT LA COMMISSION DU TRAVAIL ET DE L'EMPLOI

Les auditions devant la Commission sont de nature formelle bien que la stricte adhésion aux règles de procédure et la présentation d'éléments de preuve ne soient par toujours nécessaire.

Avant l'audition, les parties devraient réviser les dispositions de la *Loi sur les prestations de pension* et décider si un avocat devrait les aider dans leur présentation devant la Commission.

Les parties devraient se présenter à l'audition ou, s'il agit d'une société, un représentant officiel de la société, ou une personne autorisée à parler au nom de la société, devrait être présent.

Pendant l'audition, les parties ont l'occasion d'appeler des témoins et de présenter tout élément de preuve pouvant servir leur cause. Des documents peuvent être présentés comme pièces et faire partie des éléments de preuve des parties. Chaque partie peut contre-interroger les témoins de la partie adverse et, à la fin de la présentation de la preuve, faire son argument ou résumer sa position respective. Une fois l'audition terminée, les parties reçoivent une décision par écrit.

Si une personne qui a été avisée d'une audition ne se présente pas à l'audition, la Commission peut tenir l'audition quand même et cette personne ne sera pas avisée de poursuites futures..

NOTICE

Please be advised that any party to a proceeding before the Labour and Employment Board requiring translation services of either official language of New Brunswick, at any hearing by the Board, is requested to notify this office of its desire of such service, no later than seven (7) days prior to such hearing. The address and telephone number of the Board is as follows: 435 King Street, Suite 200, Fredericton, New Brunswick E3B 1E5; Telephone (506) 453-2881.

Failure to notify the Board as requested may have the result of translation services being unavailable on the date of hearing in any given circumstances.

AVIS

Sachez que toute partie à une démarche devant la Commission du travail et de l'emploi nécessitant des services de traduction, dans l'une des langues officielles du Nouveau-Brunswick, durant une audience de la Commission, doit aviser le bureau en conséquence, au moins sept (7) jours avant l'audience en question. L'adresse et le numéro de téléphone de la Commission sont inscrits ci-dessous : 435, rue King, Pièce 200, Fredericton, Nouveau-Brunswick, E3B 1E5; téléphone (506) 453-2881.

L'inobservation de cet avis pourra entraîner la non-disponibilité des services de traduction au moment de l'audience, indépendamment des circonstances.

NOTICE – PRIVACY DIRECTIONS

Please be advised that any information contained in an application, reply or document which is filed with the Labour and Employment Board, and any testimony provided in evidence, may be referred to in a decision of the Board, which may also appear online.

The Board's complete privacy policy is available online at <http://www.gnb.ca/LEB-CTE/pp/8e.pdf>.

AVIS – DIRECTIVES CONCERNANT LA PROTECTION DE LA VIE PRIVÉE

Soyez avisés que tout renseignement contenu dans une demande, une réponse ou un document déposés devant la Commission du travail et de l'emploi, ainsi que les témoignages mis en preuve, risque d'être mentionné dans une décision de la Commission, susceptible d'apparaître également en ligne.

Toutes les directives concernant la protection de la vie privée de la Commission du travail et de l'emploi se trouvent en ligne à l'adresse suivante : <http://www.gnb.ca/LEB-CTE/pp/8f.pdf>.

Elizabeth M. Brown

From: Elizabeth M. Brown
Sent: December 22, 2010 3:39 PM
To: 'bquistgaard@pinklarkin.com'; 'peter.macphail@gormannason.com'
Cc: D. J. Miller (djmillier@tgf.ca); Glen H. McMillan (gmcmillan@toronto.fraserpapers.com); Rachel M. Arbour
Subject: RE: Fraser Papers - Appeal of NB Superintendent's Order
Attachments: Agreed Statement of Facts_Dec 22 2010.DOCX

Dear Bettina and Peter,

As noted in my previous email today, we would like to suggest that solely for the purposes of the expedited hearing to take place on December 29 and 30, we proceed by way of an Agreed Statement of Facts. We are attaching a draft for your review and comment which we note in large part replicates the FACTS portion of the Superintendent's November 25, 2010 Order. I note that we have re-characterized the two calculation approaches as one with early retirement subsidies and the other without, rather than referring to them as the approach dictated by the 1992/1998 plans versus the approach dictated by the 2005 plan, since the latter characterization predetermines the outcome of the legal issue.

It is our view that the matter before the Board is one of the legal interpretation of the pension plan. Therefore, for the purposes of an expedited hearing on December 29 and 30 and without prejudice to any party's rights or the ability of the actuarial firms named in the Order to take a contrary position in another proceeding, it seems to be the most efficient and productive use of the available time to agree upon the evidence so that the issue of legal interpretation can be determined. For this, and only this, purpose, we would be prepared to accept as 'fact' the findings of Morneau with respect to the various calculations it performed and we have therefore included these as facts in the Agreed Statement of Facts.

Please note that we will be advising both Mercer and Towers Watson about the Superintendent's Order and this hearing, as well as notifying them about the CCAA proceeding and the proposed Plan of Arrangement and Release language issues. We will be providing both firms with a copy of the Notice of Hearing, and this draft Agreed Statement of Facts. Please let me know if you have already done this in which case it may not be necessary to duplicate that step.

I look forward to hearing from you.

Regards,



HUMAN RESOURCES
LAW AND ADVOCACY

Elizabeth M. Brown
elizabeth-brown@hicksmorley.com
Direct: 416.864.7210
Cell: 416.457.8836

Hicks Morley Hamilton Stewart Storie LLP
TD Tower, 66 Wellington St. W., 30th Floor, Box 371
Toronto, ON M5K 1K8
Tel: 416.362.1011 Fax: 416.362.9680

Visit our website at www.hicksmorley.com

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DRAFT FOR DISCUSSION
WITHOUT PREJUDICE

Board File No.: PA-003-10

**NEW BRUNSWICK
LABOUR AND EMPLOYMENT BOARD**

IN THE MATTER OF the *Pension Benefits Act*, S.N.B. c. P-5.1, s.77(1);

AND IN THE MATTER OF the Pension Plan for New Brunswick Hourly
Paid Employees of Fraser Papers Inc. (NG Reg. 0251264);

AND IN THE MATTER OF a partial revocation of a registration of an
amendment and plan restatement, effective January 1, 2005.

B E T W E E N:

FRASER PAPERS INC.

Applicant

- and -

THE SUPERINTENDENT OF PENSIONS and MORNEAU SOBECO

Respondents

WHEREAS for purposes solely of an expedited hearing before the Labour and Employment Board on December 29 and 30, 2010, and expressly without prejudice to the position any party or actuarial firm named herein may take in any other proceeding or in an adjournment of this proceeding, Fraser Papers Inc., the Superintendent of Pensions, and Morneau Sobeco have agreed upon an Agreed Statement of Facts as set out below:

AGREED STATEMENT OF FACTS

1. By letter dated April 29, 2008, Fraser Papers Inc. ("Fraser Papers") submitted a plan restatement which included plan amendments for the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. - NB Reg. # 0251264 (the "Pension Plan"). A copy of the Plan is attached at Tab [●] of the Book of Documents.
2. This letter, received by the Office of the Superintendent of Pensions on May 5, 2008, attached the requisite documents for amending a pension plan. Specifically, the requisite filing fee, Form 2 – Application for Registration of Amendment to Pension Plan, the company resolution amending the Pension Plan, and a copy of the plan text identified as being Amended, and Restated as

of January 1, 2005 (the "2005 Restated Plan Text"). A copy of the Form 2 and the resolution are attached at Tab [●] of the Book of Documents.

3. Fraser Papers Inc. ("Fraser Papers"), was the employer and administrator of the Pension Plan. The Pension Plan covers primarily CEP bargaining unit employees.
4. On June 18, 2009, Fraser Papers sought and was granted protection from its creditors under the Companies' Creditors Arrangement Act, with the requisite declaration of insolvency.
5. In the course of the CCAA proceedings, and specifically in the context of a sale of the assets of Fraser Papers to Twin Rivers, Fraser Papers, the CEP and the Superintendent entered into a term sheet dated February 24, 2010 (the "Term Sheet") that provided for the extended wind up of the Pension Plan. A principal of Morneau Sobeco Limited Partnership ("Morneau Sobeco"), Mr. Paul Chang, was present throughout the negotiations that resulted in the execution by the parties of the Term Sheet. A copy of the Term Sheet is attached at Tab [●] of the Book of Documents.
6. On February 24, 2010, Mr. Paul Chang, Ms. Mazerolle Stephens, the Superintendent of Pensions, and Ms. Suzanne Bonnell-Burley, Assistant Deputy Minister, Justice and Consumer Affairs for New Brunswick, attended the hearing in the Ontario Commercial Court in Toronto that took place on the morning of February 24, 2010, at which time the Term Sheet was approved by the Court.
7. Effective March 10, 2010, the Superintendent of Pensions terminated Fraser Papers' function as administrator, and appointed Morneau Sobeco as the plan administrator. A copy of the appointment of Morneau Sobeco is attached as Tab [●] of the Book of Documents.
8. On April 1, 2010, the 2005 Restated Plan Text was registered by the Office of the Superintendent of Pensions. A copy of the registration letter is attached at Tab [●] of the Book of Documents.
9. By Order dated April 1, 2010, the Superintendent of Pensions ordered Morneau Sobeco to wind up the defined benefit provisions of the Pension Plan, effective March 31, 2010. By further Order dated April 28, 2010, the Pension Plan was wound up in full. A copy of each wind up order is attached as Tab [●] of the Book of Documents.
10. By letter dated October 4, 2010, the Superintendent of Pensions requested Morneau Sobeco to provide her with certain information and documentation in relation to the historical administration of the Pension Plan. A copy of her letter is attached as Tab [●] of the Book of Documents.

11. By letter dated October 20, 2010, Morneau Sobeco provided a response to the Superintendent. A copy of Morneau's response, with attachments, is attached as Tab [●] of the Book of Documents.
12. The Superintendent spoke with Elizabeth Brown of Hicks Morley, legal counsel to Fraser Papers, on November 15, 2010 and received a letter from Ms. Brown on November 16, 2010 outlining Fraser Papers' interpretation of applicable provisions of the Pension Plan in effect prior to the 2005 Restated Plan Text. A copy of the submissions are attached at Tab [●] of the Book of Documents.
13. On November 25, 2010, the Superintendent issued an Order revoking the registration of that portion of the 2005 Restated Plan Text which she determined had altered the termination benefits for members with 20 or more years of continuous service. All remaining provisions of the 2005 Restated Plan Text remain valid. A copy of the Order is attached at Tab [●] of the Book of Documents.
14. On December 6, 2010, Fraser Papers requested that the matter be referred to a hearing. A copy of the hearing request letter is attached at Tab [●] of the Book of Documents.
15. On December 21, 2010, Fraser Papers received a Notice of Hearing before the Labour and Employment Board to be held on December 29, 2010 and December 30, 2010. A copy of the Notice is attached at Tab [●] of the Book of Documents.

Background and Historical Context

16. In 1987, Fraser Papers and the CEP agreed in a memorandum of settlement that a member retiring under the Pension Plan at age 58 with 20 or more years of continuous service would become eligible for an unreduced early retirement pension. This was the first time Pension Plan members became eligible for such a benefit. A copy of the memorandum of settlement between Fraser Papers and the CEP is attached as Tab [●] of the Book of Documents.
17. At that time, in 1987, there was no provision in the collective agreement or the Pension Plan that permitted a deferred vested member who terminated employment before retirement to commence a pension before age 65. These deferred vested members were not eligible for early retirement. They were simply required to commence their pension upon reaching age 65. A copy of the 1989 Pension Plan text is attached as Tab [●] of the Book of Documents.
18. Also at that time, in 1987, there was no provision in the collective agreement or the Pension Plan that permitted a deferred vested member who terminated employment before retirement to transfer the commuted value of his or her pension out of the Pension Plan upon termination of employment. A copy of the collective agreement in effect from 1987-1990 is attached as Tab [●] of the Book of Documents.

19. At that time, in 1987, there was no minimum pension standards legislation in effect in New Brunswick that addressed the minimum entitlements of deferred vested members of a pension plan that terminated employment prior to becoming eligible to receive a retirement pension.
20. The Pension Benefits Act of New Brunswick (the "PBA") was first enacted effective in 1991.
21. The PBA required that a deferred vested member who terminates employment prior to the age of 55 (prior to eligibility for a retirement pension) must be permitted to commence his or her pension within the 10 years prior to the normal retirement age of 65.
22. The PBA also required for the first time that a deferred vested member who terminates employment prior to the age of 55 must be permitted to transfer the commuted value of his or her pension out of the Pension Plan upon termination of employment. A copy of the 1991 PBA is attached as Tab [●] of the Book of Documents.
23. Deferred vested members of the Pension Plan terminating employment prior to age 55 on or after the PBA came into force were thereafter allowed to elect to commence their pension within the 10 years prior to the normal retirement age of 65. A copy of the 1992 Pension Plan text is attached as Tab [●] of the Book of Documents.

Morneau Review of Prior Actuarial Firms

24. Following its appointment as administrator of the Pension Plan in March 2010, Morneau Sobeco analysed sample plan calculations carried out by various actuarial firms for members who terminated, died or had marriage breakdowns prior to age 55 but with 20 or more years of continuous service throughout the past administration of the Pension Plan.
25. The following facts relate to the historical administration of the Pension Plan as carried out by various actuarial firms retained by Fraser Papers prior to the wind up of the Pension Plan, based on the findings of Morneau Sobeco following its review of various documents and calculations relating to the time after 1987 and up to 2010:
26. **Period up to 1995/6.** Watson Wyatt (now Towers Watson) provided administration and actuarial services in relation to the Pension Plan up to approximately 1995/1996.
27. Watson Wyatt did not include the value of the "unreduced early retirement at age 58" benefit for deferred vested members who were under age 55 with 20 or more years of continuous service at date of termination in their administration calculations, based on 2 calculations reviewed by Morneau Sobeco. The

calculations were based on the actuarial equivalent of the age 65 pension. A copy of the two calculations is attached at Tab [●] of the Book of Documents.

28. Nor does it appear that Watson Wyatt include the value of the "unreduced early retirement at age 58" benefit for deferred vested members who were under age 55 with 20 or more years of continuous service at date of termination in their actuarial valuation reports. A copy of the Watson Wyatt actuarial report dated December 31, 1991 is attached at Tab [●] of the Book of Documents.
29. **Period from 1995 to 2003.** Mercer Consulting Inc. ("Mercer") provided administration and actuarial services in relation to the Pension Plan during the period from approximately 1995 to 2003.
30. It does not appear that Mercer included the value of the "unreduced early retirement age 58" benefit for deferred vested members who were under age 55 with 20 or more years of continuous service at date of termination in its actuarial valuation reports.
31. Morneau Sobeco determined that 10 out of [●] Mercer calculations during this time period show that commuted values for deferred vested members were based upon the value of the "unreduced early retirement at age 58 benefit" for deferred vested members who were under age 55 with 20 or more years of continuous service at termination. Copies of the sample calculations, with member termination statements, are attached at Tab [●] of the Book of Documents.
32. Morneau Sobeco concluded that Mercer included the value of the "unreduced early retirement age 58" benefit for deferred vested members under age 55 with 20 or more years of continuous service at termination in determining the conversion values for Plaster Rock employees in the December 31, 1996 valuation report. A copy of the December 31, 1996 conversion report is attached at Tab X of the Book of Documents.
33. As well, Morneau Sobeco determined that Member annual statements were sent to members of the "Scaler" division from Dec. 31, 2000 to Dec. 31, 2003. Copies of these member annual statements are attached at Tab [●] of the Book of Documents.
34. **Period from 2003 until 2010.** Towers Perrin (now Towers Watson) provided actuarial and administration services in relation to the Pension Plan from approximately 2003 until 2010.
35. Morneau Sobeco determined that Towers Perrin did not include the value of the unreduced early retirement age 58 benefit for deferred vested members in their 2002 and 2004 funding valuation reports. Copies of the December 31, 2002 and December 31, 2004 actuarial valuation reports are attached as Tab [●] of the Document Book.

36. In four calculations prior to January 1, 2004 reviewed by Morneau Sobeco, Morneau Sobeco determined that Towers Perrin did include the value of the "unreduced early retirement age 58" benefit for deferred vested members who terminated under age 55 with 20 or more years of continuous service. Copies of these sample calculations are attached at Tab [●] of the Book of Documents.
37. Starting January 1, 2004, Morneau Sobeco determined that Towers Perrin did not include the value of the unreduced early retirement age 58 benefit for deferred vested members who terminated under age 55 with 20 or more years of continuous service.

Fraser Papers' Past Administration of the Pension Plan

38. The following facts relate to the historical administration of the Pension Plan by Fraser Papers.
39. In 1998, Bernie LeBlanc sent a memo to Dennis W. Colbourne indicating that a member of the Pension Plan under the age of 55 at his termination date, with 20 years of continuous service, would be entitled to receive a pension that included the value of the "unreduced early retirement at age 58 benefit". A copy of the memo from Bernie LeBlanc dated February 3, 1998 is attached at Tab [●] of the Book of Documents.
40. On November 28, 2003, Bernie LeBlanc received an email from Towers Perrin concerning the intention with respect to calculating commuted values for members terminating before eligibility for early retirement under the Juniper Pension Plan. A copy of the email is attached at Tab [●] of the Book of Documents. A copy of the Juniper Pension Plan is attached at Tab [●] of the Book of Documents.
41. By letter dated May 10, 2007, Bernie LeBlanc advised a deferred vested member of the Plan who (a) had 20 years or more of continuous service, and (b) was under the age of 55 at his date of termination, Mr. Gilles LeBlanc, that he was not entitled to a pension benefit based upon "unreduced retirement at age 58". Instead he was advised his benefit entitlement was based upon the actuarial equivalent of the age 65 pension. A copy of the letter to Gilles LeBlanc is attached as Tab [●].
42. Mr. Gilles LeBlanc elected a commuted value transfer of his deferred vested pension which was processed on or about October 2007. The commuted value was not based upon unreduced early retirement at age 58 and instead was based upon the actuarial equivalent of the age 65 pension.
43. The Company prepared a letter to Doris Lavoie, head of the local Union, which explained why Mr. Gilles LeBlanc was ineligible for the a commuted value based on "unreduced early retirement at age 58". Fraser Papers does not have a final

signed version of the letter in its files: A copy of the letter prepared by Fraser Papers is attached at Tab [●].

44. The union did not grieve the pension benefit calculation of Mr. Gilles LeBlanc even though he terminated as a deferred vested members with over 20 years of continuous service.

EXHIBIT “P”



Thornton Grout Finnigan LLP
RESTRUCTURING + LITIGATION

Canadian Pacific Tower
Toronto-Dominion Centre
100 Wellington Street West
Suite 3200, P.O. Box 329
Toronto, ON Canada M5K 1K7
T 416.304.1616 F 416.304.1313

D.J. Miller
T: 416-304-0559
E: djmillier@tgf.ca
File No. 1296-001

January 28, 2011

VIA EMAIL

Towers Watson
Legal Department
901 N. Glebe Road
Arlington, VA 22203

Attention: Paul A. Meyer,
Senior Counsel

Towers Watson
175 Bloor Street East
Toronto, ON M4W 3T8

Attention: Lyle Teichman
Counsel

Mercer
161 Bay Street
P.O. Box 501
161 Bay Street
Toronto, ON M5J 2S5

Attention: Don Webster
Senior Corporate Counsel, Canada

ExcellerateHRO
201 City Centre Drive
Suite 1000
Mississauga, ON L5B 4E4

Attention: Jennifer Dunk
Account Executive

Dear Sirs/Madam:

Re: Fraser Papers Inc.

We are counsel to Fraser Papers Inc. and are writing to advise you of certain matters relating to Fraser Papers Inc. that are relevant to you in connection with prior services provided to Fraser Papers Inc.

Fraser Papers Inc. is presently under Court protection pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") in Canada, and a parallel proceeding in the United States. Fraser Papers Inc. is insolvent and, as part of the CCAA restructuring, the pension plans of Fraser Papers Inc. are being wound up. Each of your firms previously provided actuarial and/or third party administration services to Fraser Papers Inc. in connection with the hourly pension plan registered in the Province of New Brunswick.

Fraser Papers Inc. is nearing completion of its CCAA restructuring and an amended Plan of Compromise and Arrangement will be presented to its creditors for voting at a meeting that we anticipate will be held on Tuesday, February 8, 2011. We are seeking an Order from the Ontario Superior Court of Justice (Commercial List) on Tuesday, February 1, 2011 to permit the Applicants to file an Amended Plan of Compromise and Arrangement and to hold the meeting of creditors to vote on the Plan on February 8, 2011.



Thornton Grout Finnigan LLP

2.

On March 10, 2010 Morneau Sobeco Inc. (now Morneau Shapell) was appointed as administrator of the Company's pension plans registered in the Province of New Brunswick, by appointment of the New Brunswick Superintendent of Pensions. Morneau has conducted an investigation in the course of the wind-up of the hourly pension plan and has identified certain issues with respect to third party administration services and/or actuarial valuations prepared in connection with the plan.

The Amended Plan of Compromise and Arrangement to be voted upon by Fraser Papers Inc.'s creditors will release and extinguish all claims against the Company and its directors and officers, among others. However, to the extent that any claims exist against actuarial firms or third party recordkeepers/administrators, those claims would not be compromised or released.

We are providing you with notice and details of the above facts, as your rights may be affected and you may wish to attend and make any submissions at these Court hearings. All materials filed in connection with this CCAA proceeding are available on the website hosted by PricewaterhouseCoopers Inc., which is the Court appointed Monitor in the CCAA proceedings. The website can be accessed at www.pwc.com/car-fraserpapers.

We enclose herewith motion materials that are served upon you pursuant to the *Rules of Civil Procedure*. These motion materials relate to a motion that is to be heard on Tuesday, February 1, 2011 at 10:00 a.m. before the Honourable Mr. Justice Morawetz. That motion is to authorize the filing of the Amended Plan of Compromise and Arrangement and authorize the holding of a meeting of creditors to vote on the Plan. No relief is sought by Fraser Papers Inc. (or to our knowledge by any other party) against your firms at that hearing. You will receive subsequent materials in connection with the Court hearing scheduled for February 10, 2011.

Please feel free to contact the undersigned to discuss any aspect of the above or to obtain further information.

Yours very truly,

Thornton Grout Finnigan LLP

A handwritten signature in black ink, appearing to read 'D.J. Miller'.

D.J. Miller

DJM/gk

cc: Glen McMillan, *Fraser Papers Inc.*
Elizabeth Brown, *Hicks Morley*

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

AFFIDAVIT OF GLEN MCMILLAN
(SWORN ON FEBRUARY 4, 2011)

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, ON M5K 1K7

D.J. Miller (LSUC# 34393P)
Kyla E.M. Mahar (LSUC# 44182G)

Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants

TAB 3

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

THE HONOURABLE MADAM) THURSDAY, THE 10TH DAY
)
JUSTICE PEPALL) OF FEBRUARY, 2011

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

SANCTION ORDER

THIS MOTION, brought by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an Order: (a) approving and sanctioning the Amended Consolidated Plan of Compromise and Arrangement dated January 27, 2011 and accepted for filing by this Court on February 1, 2011 as same may have been amended since that date (the "**Amended Plan**") concerning, affecting and involving the Applicants, as approved by the Unsecured Creditor Class at the Meeting held on February 8, 2011 and which final form of the Amended Plan is attached hereto as Schedule "A"; and (b) for certain other relief, was heard this day at 330 University Avenue, in the City of Toronto, Ontario.

ON READING the Motion Record of the Applicants dated February 4, 2011 the Affidavit of Glen McMillan sworn on February 4, 2011 and the Exhibits attached thereto (the “**McMillan Affidavit**”), the Eighteenth Report (the “**Eighteenth Report**”) of PricewaterhouseCoopers Inc., in its capacity as court-appointed monitor of the Applicants (the “**Monitor**”), and on hearing the submissions of counsel for the Applicants, counsel for the Directors of the Applicants, counsel for the Monitor, counsel for Brookfield US Corporation, as DIP Lender and Brookfield Asset Management Inc., as Plan Sponsor and as Administrative Agent for the DIP Lender, counsel for the court-appointed Committee Representing Unrepresented Employees and Former Employees (the “**Representative Counsel**”), counsel for the Superintendent of Financial Services of Ontario, counsel for Morneau Shepell Inc. (formerly Morneau Sobeco Inc.) (“**Morneau**”) as the administrator appointed by the Superintendent of Pensions for the Province of New Brunswick (the “**NB Superintendent**”) of the New Brunswick Hourly Pension Plan, New Brunswick Registration #0251264 and the New Brunswick Salaried Pension Plan, New Brunswick Registration #0251256, counsel acting as Ontario agent for the NB Superintendant, counsel for United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union (“**USW**”), counsel for Communications, Energy and Paperworkers Union of Canada (“**CEP**”), and no one appearing for any other party on the service list in these CCAA Proceedings (the “**Service List**”), including Regie des rentes du Quebec, the active members of the New Brunswick Regional Council of Carpenters, Millwrights and Allied Workers, Local 2450, the Pension Benefit Guaranty Corporation (“**PBGC**”) although all properly served as appears from the affidavit of service of ► sworn on February ►, 2011, filed, and upon being advised that all persons received notice of this hearing in accordance with the Order of this Court dated February 1, 2011 (the “**Supplemental Meeting Order**”)

supplementing the Order of the Court dated December 3, 2010, as amended by the Order of this Court dated December 17, 2010 (the “**Meeting Order**”) and that no person has filed a Notice of Appearance in accordance with paragraph 20 of the Supplemental Meeting Order:

DEFINITIONS

1. **THIS COURT ORDERS** that all capitalized terms not otherwise defined in this Sanction Order shall have the meanings ascribed to them in the Amended Plan.

SERVICE AND MEETING OF CREDITORS

2. **THIS COURT ORDERS** that the time for the service of the Notice of Motion, the Motion Record in support of this motion and the Monitor’s Eighteenth Report be and is hereby abridged and that this Motion is properly returnable today and service of the Notice of Motion, the Motion Record and the Monitor’s Eighteenth Report is hereby validated in all respects.
3. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient notice, service and delivery of the Meeting Order, the Meeting Materials (as defined in the Meeting Order), the Supplemental Meeting Order and the February Meeting Materials (as defined in the Supplemental Meeting Order), including the Amended Plan and the notice of the February Meeting and the Plan Sanction Hearing, to all Affected Creditors.
4. **THIS COURT ORDERS AND DECLARES** that the Meeting was duly convened, held and conducted in conformity with the CCAA and the Orders of the Court in the CCAA Proceedings, including the Meeting Order and the Supplemental Meeting Order.

SANCTION OF THE AMENDED PLAN

5. THIS COURT ORDERS AND DECLARES that:

- (a) the Amended Plan has been approved by the Required Majority of the Unsecured Creditor Class at the Meeting in conformity with the CCAA;
- (b) the Applicants have complied with the provisions of the CCAA and the Orders of the Court made in the CCAA Proceedings in all respects;
- (c) the Applicants have acted and are acting in good faith and with due diligence, and have not done or purported to do (nor does the Amended Plan do, or purport to do) anything that is not authorized by the CCAA; and
- (d) the Amended Plan and all terms and conditions of and matters and transactions contemplated thereby including, without limitation, pursuant to the Transaction Agreement, are fair and reasonable.

6. THIS COURT ORDERS that the Amended Plan (including, without limitation, the compromises, arrangements and releases set out therein and the transactions contemplated pursuant to the Transaction Agreement) is hereby sanctioned and approved pursuant to Section 6 of the CCAA and, on the Plan Implementation Date, shall be effective and all associated steps, compromises, transactions, arrangements and releases effected thereby are hereby approved, binding and effective in accordance with the provisions of the Amended Plan and shall enure to the benefit of and be binding upon the Applicants and the other Released Parties, the Plan Sponsor, the Affected Creditors and all other Persons and parties named or referred to in, affected by, or subject to the Amended Plan, including their respective heirs, administrators, executors,

legal representatives, successors and assigns, as provided for in the Amended Plan and this Sanction Order.

DUPLICATE CLAIMS

7. **THIS COURT ORDERS** that the Duplicate Claims (as defined in the McMillan Affidavit) filed in this CCAA Proceeding shall be valued at zero for distribution purposes in respect of the Amended Plan.

PLAN IMPLEMENTATION

8. **THIS COURT ORDERS** that the Applicants and the Monitor, as the case may be, are authorized and directed to take all steps and actions, and to do all things, necessary or appropriate to implement the Amended Plan in accordance with its terms and to enter into, execute, deliver, complete, implement and consummate all of the transactions, distributions, deliveries, allocations and agreements contemplated pursuant to the Amended Plan, including pursuant to the Transaction Agreement and the transactions contemplated thereby, and such steps and actions are hereby authorized, ratified and approved.
9. **THIS COURT ORDERS AND DECLARES** that any Promissory Notes delivered to the Trusts or to PBGC by the Applicants or at the direction of the Applicants in implementing the Amended Plan shall be expressly subject to the terms of the Intercreditor Agreement dated as of April 28, 2010 among CIT Business Credit Canada Inc., as Agent for the Lenders as defined therein, the Applicants, Twin Rivers Paper Company Inc. and Twin Rivers Paper Company LLC and Twin Rivers Paper Company

Corp. and the rights and remedies of the Trusts or PBGC are expressly subject to the terms of the Intercreditor Agreement.

10. **THIS COURT ORDERS** that upon the satisfaction or waiver, as applicable, of the conditions precedent set out in Section 7.01 of the Amended Plan, as confirmed by the Applicants and the Plan Sponsor to the Monitor, the Monitor shall file with this Court a certificate in the form attached hereto as Schedule "B" (the "**Monitor's First Certificate**"), signed by the Monitor, certifying that it has been advised by the Applicants and the Plan Sponsor that all conditions precedent set out in Section 7.01 of the Amended Plan have been satisfied or waived, as applicable, and that, with the filing of the Monitor's First Certificate, the Plan Implementation Date shall have occurred in accordance with the Amended Plan.
11. **THIS COURT ORDERS** that, from and after the Plan Implementation Date, all Creditors (including, for greater clarity, Claims of Creditors as set out in paragraph 12 hereof with respect to the Included Property or the Purchased Companies) other than Unaffected Creditors with respect to their Unaffected Claims (which Unaffected Claims shall not, for greater clarity, include Claims of Creditors as set out in paragraph 12 hereof with respect to the Included Property or the Purchased Companies) shall be deemed to have waived any and all defaults then existing or previously committed or caused by the Applicants, or any one of them, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, instrument, credit document, guarantee, agreement for sale, lease, or other agreement, written or oral, and any and all amendments or supplements thereto (each, an "**Agreement**"), existing between such Creditor and the Applicants, or any one of them,

and any and all notices of default and demands for payment under an Agreement shall be deemed to be of no further force or effect; provided that nothing in this paragraph shall excuse or be deemed to excuse the Applicants from performing any of their obligations under the Amended Plan.

12. **THIS COURT ORDERS** that notwithstanding any other provision of this Sanction Order, pursuant to Article 5 of the Amended Plan, from and after the Plan Implementation Date, 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.
13. **THIS COURT ORDERS** that, effective on the Plan Implementation Date, all Agreements to which the Purchased Companies are a party and which are not Continuing Obligations pursuant to the Transaction Agreement shall be and are hereby repudiated and any right of any Person against one or more of the Applicants (including the Purchased Companies) in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of such repudiation shall be a Restructuring Claim in the CCAA Proceedings, which Claim shall be filed and determined in accordance with the Claims Order and the Meeting Order.
14. **THIS COURT ORDERS** that, as of the Plan Implementation Date, each Creditor (including, for greater clarity Claims of Creditors as set out in paragraph 12 hereof with respect to the Included Property and the Purchased Companies), other than Unaffected Creditors with respect to their Unaffected Claims (which Unaffected Claims shall not,

for greater clarity, include Claims of Creditors as set out in paragraph 12 hereof with respect to the Included Property or the Purchased Companies), and subject to the provisions of the Vesting Order, shall be deemed to have consented and agreed to all of the provisions of the Amended Plan in their entirety and, in particular, each such Creditor shall be deemed:

- (a) to have executed and delivered to the Monitor and to the Applicants all consents, releases or agreements required to implement and carry out the Amended Plan, including the Transaction Agreement, in its entirety; and
- (b) to have agreed that if there is any conflict between the provisions, express or implied, of any Agreement or other arrangement, written or oral, existing between such Creditor and the Applicants, or any one of them, as of the Plan Implementation Date and the provisions of the Amended Plan, the provisions of the Amended Plan take precedence and priority and the provisions of such Agreement or other arrangement shall be deemed to be amended accordingly.

15. **THIS COURT ORDERS** that, on the Plan Implementation Date, pursuant to and in accordance with the Amended Plan, any and all Affected Claims of Affected Creditors of any nature against the Applicants shall be forever compromised, discharged and released, and the ability of any Affected Creditor to proceed against the Applicants in respect of or relating to any Affected Claim shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to such Affected Claims are hereby permanently stayed, subject only to the rights of Affected Creditors to receive distributions and deliveries pursuant to the Amended Plan and this Sanction

Order in respect of their Affected Claims, in the manner and to the extent provided for in the Amended Plan. All proceedings with respect to any Claims not finally resolved and determined pursuant to the Claims Order shall remain stayed, and shall be resolved and determined in accordance with the Claims Order and any further Order of this Court.

16. **THIS COURT ORDERS AND DIRECTS** the Monitor and the Applicants, as applicable, to complete the distributions and deliveries contemplated under the Amended Plan on the Plan Implementation Date, the Implementation Payment Date, if any, and the Final Determination Date, and further hereby orders that such distributions and deliveries shall be free and clear of all claims, rights and interests of any Person, including without limitation, the CCAA Charges.
17. **THIS COURT ORDERS AND DECLARES** that any distributions and deliveries under the Amended Plan and this Sanction Order shall not constitute a “distribution” and the Monitor shall not constitute a “legal representative” or “representative” of the Applicants or “other person” as the case may be for the purposes of Section 159 *Income Tax Act* (Canada), Section 270 of the *Excise Tax Act* (Canada), Section 46 of the *Employment Insurance Act* (Canada), Section 22 of the *Retail Sales Act* (Ontario), Section 107 *Corporations Tax Act* (Ontario), Section 14 of the *Act Respecting the Ministère du Revenu* (Quebec), Section 7 of the *Revenue Administration Act* (New Brunswick) or any other similar federal, provincial or territorial tax legislation (collectively, the “**Statutes**”), and the Monitor in making any such payments or delivering any assets in the Distribution Pool is not “distributing”, nor shall it be considered to have “distributed”, such funds or assets for the purposes of the Statutes, and the Monitor shall not incur any liability under the Statutes for making any payments

or delivering any assets under the Amended Plan or failing to withhold amounts, ordered or permitted hereunder, and is hereby forever released, remised and discharged from any claims against it under or pursuant to the Statutes or otherwise at law, arising as a result of the distributions and deliveries under the Amended Plan and this Sanction Order and any claims of this nature are hereby forever barred.

RELEASES, DISCHARGES AND INJUNCTIONS

18. **THIS COURT ORDERS AND DECLARES** that the compromises, arrangements, releases, discharges and injunctions contemplated in the Amended Plan, including those granted by and for the benefit of the Released Parties, are integral components thereof and are necessary for, and vital to, the success of the Amended Plan and that, effective on the Plan Implementation Date, all such compromises, arrangements, releases, discharges and injunctions are hereby sanctioned, approved and given full force and effect in accordance with and subject to the rights and obligations of the Affected Creditors under the Amended Plan, including, without limitation, the rights of the Affected Creditors to receive distributions in respect of their Affected Claims in accordance with the Amended Plan, and all such compromises, arrangements, releases, discharges and injunctions shall be binding upon and effective against all Affected Creditors, the Applicants and all other Persons affected by the Amended Plan, and on their respective heirs, administrators, executors, legal representatives, successors and assigns. For greater certainty, nothing herein or in the Amended Plan shall release or affect any rights or obligations of any Person under the Amended Plan.

19. **THIS COURT ORDERS** that, without limiting the generality of any provision of this Sanction Order or the Amended Plan, immediately upon the Plan Implementation Date having occurred, 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, 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 the Released Parties 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 a 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**”); provided, however, that nothing herein shall release or discharge: (i) Directors in respect of any claim referred to in Section 5.1(2) of the CCAA.; or (ii) 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) and (ii) 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.

20. **THIS COURT ORDERS** that, from and after the Plan Implementation Date, no Person shall 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, such Person will immediately discontinue any such claim or proceeding.

21. **THIS COURT ORDERS** that, without limiting the generality of any provision of this Order or the Amended Plan, immediately upon the Plan Implementation Date having occurred, 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 (i) 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; (ii) 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; (iii) 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; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind; or (v) taking any actions to interfere with the implementation or consummation of the Amended Plan, the Transaction Agreement, or rights under the Trusts; provided, however, that the foregoing shall not apply to the enforcement of any obligations under the Amended Plan or the Transaction Agreement or in respect of any claim against a Director referred to in subsection 5.1(2) of the CCAA. For greater certainty, and notwithstanding any other provision of this Sanction Order, 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.

TERMINATION OF THE CCAA PROCEEDINGS

22. **THIS COURT ORDERS** that, effective on the Plan Implementation Date, the CCAA Proceedings shall be and are hereby terminated as against the Purchased Companies and

the Included Property, provided that the Purchased Companies and the Included Property shall continue to have the benefit of this Sanction Order, the Vesting Order, the Claims Order and any other relevant Order issued in the CCAA Proceedings.

23. **THIS COURT ORDERS** that, effective on the Plan Implementation Date, the Applicants shall consist of Fraser Papers Inc./Papiers Fraser Inc., FPS Canada Inc. and Fraser N.H. LLC and the style of cause herein shall be and is hereby amended to remove the Purchased Companies, namely Fraser Papers Holdings Inc., Fraser Papers Limited and Fraser Timber Limited, so that all documents issued, served or filed after the Plan Implementation Date reflect the following style of cause:

“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. and FRASER N.H. LLC”

24. **THIS COURT ORDERS** that, except as expressly set out in paragraph 22 hereof, the CCAA Proceedings shall continue until the filing by the Monitor with this Court of a certificate in the form attached hereto as Schedule “C” (the “**Monitor’s Second Certificate**”) signed by the Monitor, certifying that the Final Determination Date has occurred and that the Monitor has fulfilled its duties under the Claims Order, the Vesting Order and the Amended Plan and that, upon the filing of the Monitor’s Second Certificate, the CCAA Proceedings shall be terminated (the “**CCAA Termination Date**”).

ORDERS IN THE CCAA PROCEEDINGS

25. THIS COURT ORDERS that:

- (a) except to the extent that the Initial Order has been varied by or is inconsistent with this Sanction Order or any further Order of this Court, the provisions of the Initial Order shall remain in full force and effect until the CCAA Termination Date;
- (b) the Claims Bar Date, the Restructuring Claims Bar Date and the releases, injunctions and prohibitions provided for in the Claims Order, as amended by the Meeting Order, be and are hereby confirmed and shall operate in addition to the provisions of this Sanction Order and the Amended Plan, including, without limitation, the releases, injunctions and prohibitions provided for hereunder and thereunder, respectively; and
- (c) all other Orders made in the CCAA Proceedings shall continue in full force and effect in accordance with their respective terms, except to the extent that such Orders are varied by this Sanction Order or any further Order of this Court in the CCAA Proceedings.

CHARGES

- 26. THIS COURT ORDERS** that, expressly subject to paragraph 27 hereof, the CCAA Charges provided for in the Initial Order and any subsequent Orders in the CCAA Proceedings shall automatically be fully and finally terminated, discharged and released on the Plan Implementation Date.

27. **THIS COURT ORDERS** that, notwithstanding paragraph 26 hereof, the Administration Charge and the Directors' Charge shall continue in full force and effect until the CCAA Termination Date. For greater certainty, the Administration Charge and the Directors Charge' shall not continue against the FPHI Shares, the Included Property or the Purchased Companies.

THE MONITOR

28. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and the powers provided to the Monitor herein and under the Orders of this Court, shall be and is hereby authorized, directed and empowered to perform its functions and fulfill its obligations under the Amended Plan to facilitate the implementation of the Amended Plan and to complete all matters incidental to the termination of the CCAA Proceedings.
29. **THIS COURT ORDERS AND DECLARES** that the actions and conduct of the Monitor in the CCAA Proceedings, as disclosed in its reports to the Court from time to time, including, without limitation, the Eighteenth Report, are hereby approved and that the Monitor has satisfied all of its obligations up to and including the date of this Sanction Order, and that in addition to the protections in favour of the Monitor as set out in the Initial Order and the CCAA, the Monitor shall not be liable for any act or omission on the part of the Monitor, including without limitation, with respect to any information disclosed, any act or omission pertaining to the discharge of its duties under the Amended Plan or with respect to any other duties or obligations with respect to the implementation of the Amended Plan, save and except for any claim or liability arising

out of any gross negligence or wilful misconduct on the part of the Monitor. Subject to the forgoing and in addition to the protections in favour of the Monitor as set out in the Orders of this Court, upon the CCAA Termination Date, any claims against the Monitor in connection with the performance of its duties as Monitor are hereby released, stayed, extinguished and forever barred and the Monitor shall have no liability in respect thereof.

30. **THIS COURT ORDERS** that no action or other proceeding shall be commenced against the Monitor in any way arising from or related to its capacity or conduct as Monitor, except with prior leave of this Court on at least seven days prior written notice to the Monitor, and upon such further order securing, as security for costs, the solicitor and his own client costs of the Monitor in connection with any proposed action or proceeding as the Court hearing the motion for leave to proceed may deem just and appropriate.
31. **THIS COURT ORDERS** that upon fulfillment of the Monitor's duties under the Claims Order, the Vesting Order and the Amended Plan, the Monitor shall file with the Court the Monitor's Second Certificate and that, upon the filing of the Monitor's Second Certificate, PricewaterhouseCoopers Inc. shall be discharged from its duties, obligations and responsibilities as Monitor of the Applicants.

REPRESENTATIVE COUNSEL

32. **THIS COURT ORDERS** that, effective on the Plan Implementation Date, the Representative Counsel shall be and is hereby discharged from its duties as Representative Counsel in the CCAA Proceedings.

CLAIMS OFFICER

33. **THIS COURT ORDERS** that any Claims Officer appointed in accordance with the Claims Order shall continue to have the authority conferred upon and to benefit from all protections afforded to Claims Officers pursuant to the Orders in the CCAA Proceedings and shall thereafter be discharged and released from its obligations on the CCAA Termination Date.

STAY EXTENSION

34. **THIS COURT ORDERS** that the Stay Period as described in the Initial Order be and is hereby further extended to the earlier of: (a) May 2, 2011; and (b) the CCAA Termination Date.

EFFECT, RECOGNITION AND ASSISTANCE

35. **THIS COURT ORDERS** that, notwithstanding any other provision of this Sanction Order, the Applicants, the Plan Sponsor and the Monitor shall remain entitled to seek directions from the Court in respect of the interpretation and implementation of this Sanction Order and the performance by the Applicants and the Monitor of their respective obligations under the Amended Plan, the Sanction Order and any other matters that pertain to the completion of the administration of the CCAA Proceedings prior to the CCAA Termination Date.
36. **THIS COURT ORDERS AND DECLARES** that, pursuant to section 142 of the *Courts of Justice Act* (Ontario), no person shall be liable for any act done in good faith in accordance with any Order issued in this proceeding, and any person who takes any action whatsoever in reliance on this Sanction Order prior to the commencement of any

appeal hereof or the expiry of any appeal period shall not be prejudiced or harmed in any manner by any such subsequent appeal.

37. **THIS COURT ORDERS** that this Sanction Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may otherwise be enforceable.
38. **THIS COURT REQUESTS** the aid, recognition and assistance of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to Section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States of America and the states or other subdivisions of the United States of America, including the U.S. Court presiding over the Chapter 15 Proceedings and of or any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Sanction Order. Each of the Applicants and the Monitor shall be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other courts and judicial, regulatory and administrative bodies, and take such other steps, in Canada, in the United States of America or elsewhere, as may be necessary or advisable to give effect to this Sanction Order and any other Order granted by this Court.
39. **THIS COURT ORDERS** that this Sanction Order shall be posted on the Monitor's website at www.pwc.com/car-fraserpapers and only be required to be served upon the

parties on the Service List and those parties who appeared at the hearing of the motion for this Sanction Order.

Schedule "A"
Amended Consolidated Plan of Compromise and Arrangement

**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**

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 to be confirmed by the Trust Order;

"Creditor Trusts" means, collectively, the Creditor Trust and the U.S. Creditor Trust;

"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, 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, 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 25, 2010 attached hereto as Schedule “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 syndiqués 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 Trusts, approving the form and authorizing the execution of the creditor trust agreements and confirming the appointment of the trustees of each of the Creditor Trusts;

“Trusts” means, collectively, the Creditor 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" – Transaction Agreement, without schedules;

Schedule "B" – Promissory Notes; and

Schedule "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 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 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 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 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 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 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 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 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 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 FPHI 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 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 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 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 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 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, 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, consultants, financial advisors, servants, agents and assigns (collectively, the "**Released Parties**" and individually, a "**Released Party**"), 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; (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, 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 any Non-Released Claims 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

For greater certainty: (i) nothing in the Plan shall release, enjoin or compromise 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.

Dated at **Toronto, Ontario** this 27th day of January, 2011.

Schedule “A” – Transaction Agreement, without schedules

TRANSACTION AGREEMENT

BY AND AMONG

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

As the Vendors and Plan Proponents

AND

THE PLAN SPONSOR, AS HEREIN DEFINED

As the Purchaser and Plan Sponsor

DATED AS OF NOVEMBER 25, 2010

TRANSACTION AGREEMENT

TRANSACTION AGREEMENT, dated as of November 25, 2010 (the "Effective Date") by and among Fraser Papers Inc. ("FPI"), a corporation incorporated under the federal laws of Canada, Fraser Papers Limited ("Fraser Madawaska"), a corporation incorporated under the laws of the State of Maine, FPS Canada Inc., a corporation incorporated under the federal laws of Canada ("FPS Canada"), Fraser Papers Holdings Inc. ("FPHI"), a corporation incorporated under the laws of the State of Delaware, Fraser Timber Limited ("FTL"), a corporation incorporated under the laws of the State of Maine, and Fraser N.H. LLC ("FNHL"), a limited liability company formed under the laws of the State of Delaware (collectively, the "Vendors") and Brookfield Asset Management Inc., a corporation amalgamated under the laws of the Province of Ontario.

RECITALS:

WHEREAS, on June 18, 2009, the Vendors commenced proceedings (the "CCAA Proceedings") in the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court") under the *Companies' Creditors Arrangement Act* (Canada), R.S.C. 1985, c.C-36, as amended (the "CCAA"), pursuant to which, *inter alia*, PricewaterhouseCoopers Inc. was appointed as monitor (the "Monitor");

AND WHEREAS, on June 19, 2009, the Vendors sought and obtained recognition and provisional relief in an ancillary proceeding (the "Bankruptcy Case") pursuant to Chapter 15 of Title 11 of the *United States Code* 11 U.S.C. §§ 101-1532C, as amended (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court");

AND WHEREAS, the Vendors desire to propose a plan of arrangement or compromise on a substantively consolidated basis in the CCAA Proceedings, to be recognized and ratified in the Bankruptcy Case;

AND WHEREAS, in conjunction with their proposed plan of arrangement or compromise, the Vendors wish to sell to the Plan Sponsor all of the FPHI Shares (as hereinafter defined) on the basis that the Purchased Companies (as hereinafter defined) will at Closing (as hereinafter defined) hold all right, title and interest in the Included Property (as hereinafter defined) and will have no Liabilities (as hereinafter defined) other than the Continuing Obligations (as hereinafter defined), and on the other terms and conditions of this Agreement;

AND WHEREAS, the Plan Sponsor wishes to purchase from the Vendors all of the FPHI Shares on the basis that the Purchased Companies will at Closing hold all right, title and interest in the Included Property and will have no Liabilities other than the Continuing Obligations, and on the other terms and conditions of this Agreement;

AND WHEREAS, Plan Sponsor wishes to facilitate the plan of arrangement or compromise to be proposed by the Vendors in conjunction with the transactions contemplated by this Agreement;

AND WHEREAS, the boards of directors of each of the Vendors have determined that it is advisable and in the best interests of each of the Vendors' estates and the beneficiaries of such estates to proceed with the Plan (as hereinafter defined) and to consummate the transactions provided for herein pursuant to the Canadian Orders (as hereinafter defined) and the U.S. Orders (as hereinafter defined), and have approved the Plan and this Agreement;

AND WHEREAS, the Plan and the transactions contemplated by this Agreement and the Ancillary Agreements are subject to the approval of the Canadian Court and the Bankruptcy Court and will be consummated only subject to the terms and conditions set forth herein and in accordance with the Canadian Orders (as hereinafter defined) and the U.S. Orders (as hereinafter defined) to be entered in the CCAA Proceedings and the Bankruptcy Case, respectively;

NOW, THEREFORE, in consideration of the premises, representations and warranties and the mutual covenants and agreements set forth herein and other good, valuable and sufficient consideration, the receipt of which is hereby acknowledged, the Parties, agree as follows:

ARTICLE 1 DEFINITIONS; INTERPRETATION

Section 1.1 Definitions.

As used herein, the following terms shall have the following meanings:

"Accounts Receivable" shall mean any and all accounts receivable, notes receivable, book debts, trade debts, rebates, refunds and other debts or receivables due or accruing due, together with all interest accrued on such items, and the full benefit of any security therefor, but excluding any Intercompany Receivable.

"Affiliate" shall mean, with respect to any Person, any other Person which Controls, is Controlled by or is under common Control with, directly or indirectly, such Person, and, if such Person is a natural person, includes any member of such Person's immediate family, or, if such Person is an entity, includes any trustee, member, general partner, manager, director or executive officer of, or any Person performing similar functions for, such Person.

"Agreement" shall mean this Transaction Agreement, including the Schedules and the Exhibits hereto, in each case as amended or supplemented from time to time.

"Ancillary Agreements" shall mean any and all agreements or documents entered into or executed by the Parties on or prior to Closing in connection with or pursuant to the terms of this Agreement and the transactions contemplated herein, all in form and substance satisfactory to the Plan Sponsor, acting reasonably.

"Ashland Assets" shall mean the property and assets of every kind and description used in the operation of or relating to the Ashland Mill.

"Ashland Mill" shall mean the lumber mill owned and operated by the Vendors at 100 Levesque Mill Road, Ashland, Maine 04732 and the operations carried on thereat.

"Assets" shall mean collectively the Ashland Assets, the Masardis Assets and the Gorham Assets. If the Gorham Assets and the Gorham Mill become Excluded Property in accordance with the terms set out in Section 2.3 of this Agreement, the term "Assets" shall mean collectively the Ashland Assets and the Masardis Assets.

"Bankruptcy Case" shall have the meaning given to such term in the recitals.

"Bankruptcy Code" shall have the meaning given to such term in the recitals.

"Bankruptcy Court" shall have the meaning given to such term in the recitals.

"Benefit Plans" shall mean all oral or written plans, arrangements, agreements, programs, policies, practices or undertakings of the Vendors with respect to some or all of the Employees and which provide for or relate to:

(a) bonus, profit sharing or deferred profit sharing, performance compensation, deferred or incentive compensation, supplemental retirement arrangements, share compensation, share purchase or share option, share appreciation rights, phantom stock, vacation or vacation pay, sick pay, employee loans, or any other compensation in addition to salary; or

(b) insured or self-insured benefits for or relating to income continuation or other benefits during absence from work (including short term disability, long term disability and workers compensation), hospitalization, health, welfare, legal costs or expenses, medical or dental treatments or expenses, life insurance, accident, death or survivor's benefits, supplementary employment insurance, day care, tuition or professional commitments or expenses or similar employment benefits.

"Books and Records" shall mean any and all books of account, legal, financial and accounting information and records, production reports and records, equipment logs, operating guides, manuals and marketing and advertising materials and all other files, correspondence and other information (whether written, printed, electronic or computer print out form, or saved on computer disc or other data and software storage and media devices), in any form, but excluding for greater certainty any books and records pertaining solely to the Excluded Property.

"Brookfield" shall mean Brookfield Asset Management Inc.

"Brookfield DIP Facility" shall mean the court approved senior secured superpriority revolving loan facility of up to a maximum amount of US\$25,000,000 provided to the Vendors by the DIP Lender.

"Brookfield Letters of Credit" shall mean the letters of credit or letters of guarantee issued or provided for the benefit of the Vendors under the Brookfield DIP Facility or otherwise by the DIP Lender, the Plan Sponsor or the Plan Sponsor's Affiliates.

"Budget" shall mean the rolling 19 week cash flow projection as at October 22, 2010 and attached as Exhibit B to the affidavit of Glen McMillan sworn October 28, 2010, as amended, updated, modified and supplemented pursuant to and in accordance with the terms of the Brookfield DIP Facility.

"Business" shall mean collectively, the Gorham Business and the Lumber Mill Business. If the Gorham Assets and the Gorham Mill become Excluded Property in accordance with the terms set out in Section 2.3 of this Agreement, the term "Business" shall mean the Lumber Mill Business.

"Business Day" shall mean any day of the year other than (a) any Saturday or Sunday, or (b) any other day on which the banks located in the Province of Ontario are required by Law to be closed for business.

"Canadian Approval and Vesting Order" shall mean one or more Orders of the Canadian Court in form and substance satisfactory to the Plan Sponsor, acting reasonably, approving and giving effect to this Agreement and the transactions contemplated herein and, among other things, (i) vesting the FPHI Shares in the Plan Sponsor free and clear of any and all Encumbrances except Permitted 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 of the Purchased Companies other than the Continuing Obligations.

"Canadian Court" shall have the meaning given to such term in the recitals.

"Canadian Orders" shall mean collectively, the Canadian Approval and Vesting Order, the Canadian Sanction Order, and any other Order of the Canadian Court, in form and substance satisfactory to the Plan Sponsor, acting reasonably, issued and entered in the CCAA Proceedings in respect of the transactions contemplated in this Agreement and the Plan.

"Canadian Sanction Order" shall mean an Order of the Canadian Court sanctioning the Plan in form and substance satisfactory to the Plan Sponsor, acting reasonably.

"CCAA" shall have the meaning given to such term in the recitals.

"CCAA Proceedings" shall have the meaning given to such term in the recitals.

"Closing" shall have the meaning given to such term in Section 12.1.

"Closing Date" shall have the meaning given to such term in Section 12.1.

"Consents and Approvals" shall mean all consents, approvals, notifications, waivers and/or filings from Third Parties (including any Governmental Authority and counter parties under any Contracts of the Purchased Companies) as may be necessary or desirable to effectuate the transactions contemplated by this Agreement including, without limitation all consents, approvals, notifications, waivers and/or filings required: (a) by the terms of (or which are necessary or desirable to avoid breach, contravention, violation, forfeiture, or termination of) the Contracts, the Permits, and the Timber Licences of the Purchased Companies; (b) to avoid the triggering of any Third Party rights resulting from the transactions contemplated by this Agreement, the Plan, the CCAA Proceedings or the Bankruptcy Case; and (c) by Order of the Canadian Court in the CCAA Proceedings pursuant to Section 11.3 of the CCAA, as such Order is recognized by the Bankruptcy Court in the Bankruptcy Case (all such Orders being to the satisfaction of the Plan Sponsor, acting reasonably).

"Continuing Employees" shall mean the Designated Employees who continue to be employed by the Purchased Companies as at the Closing Date. For greater certainty, Unionized Employees are not Continuing Employees.

"Continuing Obligations" shall have the meaning given to such term in Section 3.1.

"Contracts" means any and all contracts, agreements, leases instruments and other legally binding commitments or arrangements, written or oral.

"Control" means:

(a) when applied to the relationship between a Person and a corporation, the beneficial ownership by such Person at the relevant time of shares of such corporation carrying more than the greater of 50% of the voting rights ordinarily exercisable at meetings of shareholders of such corporation and the percentage of voting rights ordinarily exercisable at meetings of shareholders of such corporation that are sufficient to elect a majority of the directors of such corporation;

(b) when applied to the relationship between a Person and a partnership, joint venture or other unincorporated entity, the beneficial ownership by such Person at the relevant time of more than 50% of the ownership interests of the partnership, joint venture or other unincorporated entity in circumstances where it can reasonably be expected that such Person directs or has the power to direct the affairs of the partnership, joint venture or other unincorporated entity; and

(c) in the case of any Person, the right to directly or indirectly (i) exercise a majority of the voting rights in respect of that Person, (ii) otherwise control that Person by virtue of provisions contained in its constituting documents, or (iii) manage all or substantially all of the assets of that Person pursuant to any contract or arrangement;

"Court Orders" shall mean the Canadian Orders and the U.S. Orders.

"Designated Employees" shall mean the Employees who are not Unionized Employees and who are designated by the Plan Sponsor on a schedule to be delivered by the Plan Sponsor to the Vendors on or before Closing and which, when delivered, shall form Schedule A hereto, which schedule shall include all or substantially all Employees at the Closing Date who are not Unionized Employees.

"DIP Lender" shall mean Brookfield (US) Corporation.

"Employee" shall mean an individual who is employed by the Vendors in the Business, whether on a full-time or a part-time basis.

"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" of a Person shall mean capital stock, capital stock equivalents (including stock options, restricted stock units, stock appreciation rights, any securities convertible into or exchangeable or exercisable for any such capital stock, and phantom stock), partnership interests, membership interests, participations, shares and other equity interests of any class or kind (however designated) of such Person.

"Excluded Property" shall have the meaning given to such term in Section 2.3.

"Existing Collective Agreement" shall mean the Labour Agreement dated as of May 31, 2002 between Fraser NH LLC and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union A.F.L.-C.I.O. and its Local Union No. 4-0075 (extended by agreement until August 29, 2010).

"Filing Date" shall mean the date of the commencement of the CCAA Proceedings, being June 18, 2009.

"Final Order" shall mean an order, judgment or other decree: (i) the operation or effect of which has not been reversed, stayed, modified or amended; (ii) as to which any and all appeal periods with respect to such order, judgment or decree have expired; and (iii) as to which no appeal or any extension thereof shall then be pending or, if an appeal has been sought, such appeal has been withdrawn, discontinued, dismissed with prejudice, or affirmed by the highest court to which it was appealed, and the time to appeal under any extension thereof has expired.

"Fixed Assets" means any and all equipment and machinery, improvements, office equipment, furniture, fixtures, signage, tools, storage systems, furnishings and supplies of all kinds of the Vendors.

"FNHL Shares" shall mean any and all of the issued and outstanding shares and other Equity Interests of FNHL.

"Former Landfill" shall mean Former Landfill LLC, a limited liability company formed under the laws of the State of New Hampshire.

"FPHI Shares" shall mean any and all of the issued and outstanding shares and other Equity Interests of FPHI.

"Fraser Madawaska Shares" shall mean any and all of the issued and outstanding shares and other Equity Interests of Fraser Madawaska.

"FTL Shares" shall mean any and all of the issued and outstanding shares and other Equity Interests of FTL.

"Gorham APA" shall mean the asset purchase agreement dated November 3, 2010 between M&M Consulting and Contracting LLC and FNHL.

"Gorham Assets" shall mean the property and assets of every kind and description used in the operation of or relating to the Gorham Mill.

"Gorham Business" shall mean the business of manufacturing and selling paper products and related activities carried on with the Gorham Assets or otherwise in relation to the Gorham Mill.

"Gorham Mill" means the paper mill owned and operated by the Vendors at 72 Cascade Flats, Gorham, New Hampshire, U.S., 03581 and the operations carried on thereat.

"Governmental Authority" shall mean any government (including any Canadian, US or foreign, federal, provincial, state, city, municipal or county government), any political subdivision thereof and any governmental, administrative, ministerial, regulatory, central bank, self-regulatory, quasi-governmental, taxing, executive or legislative department, commission, body, agency, authority or instrumentality of any thereof, including any Judicial Authority.

"Included Property" shall mean the Assets and any and all other direct or indirect businesses, property and assets of each of the Purchased Companies other than the Excluded Property, and shall include, without limitation, any and all: (i) Accounts Receivable, Inventory, Fixed Assets, Lands, Contracts, Permits, Timber Licenses, Equity Interests (including, without limitation, the FTL Shares, the Fraser Madawaska Shares and, unless excluded pursuant to Section 2.3(a) hereof, the FNHL Shares), Intellectual Property, Prepaid Expenses and Books and Records; (ii) the Mills; and (iii) the Katahdin Preferred Shares.

"Intellectual Property" shall mean all intellectual property including, without limitation, issued patents, inventions, pending applications for patents, copyrights, copyright registrations and applications, industrial designs and process, royalty rights, or other proprietary rights (and any applications related thereto), ISO registrations, dedicated computer software other than commercial off-the-shelf software, (including licences to use such computer software), engineering drawings and plans, technical specifications and ratings data, know-how, trade secrets, instruction manuals, formulae, industrial and production technology, process control technology, quality specifications, and similar rights including, without limitation, URLs and world wide web domain names.

"Intercompany Liabilities" shall mean any and all Liabilities owing by any Vendor or any of such Vendor's Affiliates or Subsidiaries, respectively, to any other Vendor or any of such other Vendor's Affiliates or Subsidiaries, respectively.

"Intercompany Receivables" shall mean any and all Accounts Receivables owing to any Vendor or any of such Vendor's Affiliates or Subsidiaries, respectively, from any other Vendor or any of such other Vendor's Affiliates or Subsidiaries, respectively.

"Inventory" shall mean any and all inventory including, without limitation: (i) raw materials, including all wood, fiber supplies, chemicals and fillers; (ii) operating supplies, including fuel and other consumables; (iii) all spare parts, mill stores, supplies and equipment including, but not limited to, those described in Schedule B, (iii) all goods or materials in the process of being manufactured or otherwise characterized as work in process; (iv) all finishing supplies utilized in the wrapping and transportation of the finished product as at the Closing Date; and (v) all finished goods as at the Closing Date.

"Judicial Authority" shall mean any court, arbitrator, special master, receiver, tribunal or similar body of any kind entitled to exercise judicial authority including without limitation the Canadian Court and the Bankruptcy Court.

"Katahdin Preferred Shares" shall mean the 10,000 convertible, term units of Katahdin Paper Company LLC owned by Fraser Madawaska.

"Lands" shall mean any and all freehold property and interests therein, and all buildings and other structures, facilities or improvements currently or hereafter located thereon, all fixtures, systems and items of personal property attached or appurtenant thereto and any and all rights of way, licences or rights of occupation, easements or other similar rights, as applicable, in connection with such freehold property, including without limitation the freehold property municipally known as:

- (a) 100 Levesque Mill Road, Ashland, Maine;
- (b) Route 11, 1220 Masardis Road, Masardis, Maine; and

(c) to the extent that the Gorham Assets and the Gorham Mill do not become Excluded Property in accordance with the terms set out in Section 2.3 of this Agreement, 75 Cascade Flats, Gorham, New Hampshire.

"Law" shall mean any treaty, code, statute, law (including common law), rule, regulation, or ordinance of any kind of any Governmental Authority.

"Liability" shall mean, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"Lumber Mills" shall mean collectively, the Ashland Mill and the Masardis Mill.

"Lumber Mills Business" shall mean the business of manufacturing and selling lumber and related activities carried on with the Ashland Assets and the Masardis Assets or otherwise in relation to the Lumber Mills.

"Masardis Assets" shall mean the property and assets of every kind and description used in the operation of or relating to the Masardis Mill.

"Masardis Mill" shall mean the lumber mill owned and operated by the Vendors at Route 11, 1220 Masardis Road, Masardis, Maine 04732 and the operations carried on thereat.

"Material Adverse Effect" shall mean any change, event or occurrence, or any material worsening of any current circumstance, event or occurrence, that individually or in the aggregate (taking into account all other such changes, events or occurrences or material worsening) has had, or would in the reasonable opinion of the Plan Sponsor be likely to have (i) a material

adverse change in or material adverse effect on the business, operations, performance, prospects, liabilities, results of operations, assets, properties or condition (financial or otherwise) of any of the Vendors, the Purchased Companies, the Business or the Included Property (excluding the Excluded Property and the Excluded Liabilities) or the Plan Sponsor's use and enjoyment of the Purchased Companies or the Included Property, in each case taken as a whole, or (ii) a material adverse change in or to the ability of the Vendors to consummate the transactions contemplated by this Agreement or to perform their obligations hereunder, or (iii) a material adverse change to or deviation from the Budget; or (iv) a material adverse change to the CCAA Proceedings or the Bankruptcy Case; or (v) the result or consequence that the Plan Sponsor or the Purchased Companies shall be deemed or required to assume or discharge any debt, liability or obligation other than as may be specifically provided for in this Agreement, but excluding, in any case (i) effects resulting from changes in general economic, regulatory, political or industry conditions or from acts of terror or war, (ii) effects resulting from changes in (or proposals to change) any Laws after the date hereof; (iii) effects resulting from the identity of, or acts attributable to, or omissions by the Plan Sponsor, the Plan Sponsor's Affiliates or the Purchased Companies, (iv) effects resulting from changes in commodity or energy prices, in interest or currency exchange rates or in capital market conditions, (v) effects resulting from circumstances that affect the industries in which the Vendors operate generally, or (vi) effects resulting from changes in generally accepted accounting principles after the date hereof. For greater certainty and without limiting the generality of the foregoing, each of the following events shall constitute a Material Adverse Effect: (a) any change, event or occurrence, or any material worsening of any current circumstance, event or occurrence, that individually or in the aggregate reduces the reasonable market value of the FPHI Shares, the Included Property or the Business by \$1,500,000 or more; and (ii) a Default or an Event of Default (as such terms are defined in the Brookfield DIP Facility) occurs under the Brookfield DIP Facility.

"Mills" shall mean collectively, the Gorham Mill and the Lumber Mills. If the Gorham Assets and the Gorham Mill become Excluded Property in accordance with the terms set out in Section 2.3 of this Agreement, the term "Mills" shall mean the Lumber Mills.

"Monitor" shall have the meaning given to such term in the recitals.

"Monitor's Certificate" means the certificate of the Monitor confirming that all matters to be completed prior to the consummation of the purchase transactions contemplated hereby have been completed, substantially in the form attached to the Canadian Approval and Vesting Order.

"Net Working Capital" shall mean the sum of all of the following that is Included Property in relation to the Lumber Mills Business: (a) Accounts Receivable; (b) Prepaid Expenses; (c) Inventory that is in good and useful condition for its purpose; minus the Continuing Accounts Payable in relation to the Lumber Mills Business.

"Order" shall mean any judgment, writ, decree, directive, decision, injunction, ruling, award or order (including any consent decree or cease and desist order) of any kind of any Governmental Authority or Judicial Authority.

"Ordinary Course" shall mean, with respect to any action to be taken by a Vendor or a Purchased Company, that such action is consistent with the past customs and practices (including

with respect to quantity and frequency) of such Vendor or Purchased Company and is taken in the ordinary course of the normal day-to-day business, operations and activities of the Vendor or the Purchased Company in respect of the Business, taking into account the commencement of the CCAA Proceedings and the Bankruptcy Case.

"Organizational Documents" of a Person at any time shall mean (a) all certificates, articles or agreements of any kind filed with any Governmental Authority or Judicial Authority to form or organize such Person, and (b) all agreements, documents or instruments creating, organizing or governing the internal affairs of such Person, including trust agreements, by-laws, codes of regulations, memoranda of incorporation or association, partnership agreements, limited liability company agreements, articles, charters and operating agreements, in each case, as in effect at such time.

"Party" shall mean a party to this Agreement and any reference to a Party includes its successors and permitted assigns and "Parties" means every Party.

"Permits" means any and all authorizations, registrations, permits, certificates of approval, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to the Intellectual Property) issued or granted by any Governmental Authority.

"Permitted Encumbrances" shall mean (i) easements, leases, reservations, or other rights of others in, or minor defects and irregularities in title that do not materially impair the use of the encumbered property or assets for the purposes for which they are held; (ii) mechanics', materialmen's, carriers', workers', repairers' and similar statutory liens arising in the Ordinary Course which liens have not had and are not reasonably likely to have a material impact on the FPHI Shares or the Included Property; (iii) any Encumbrance or privilege vested in any lessor, licensor or permittor for rent or other obligations solely related to the period after Closing in respect of any Contract; (iv) licenses of or other grants of rights to use Intellectual Property entered into prior to the Filing Date in the ordinary course of business consistent with past practice of the Vendors (and from and after the Filing Date, in the Ordinary Course) that do not materially impair the use of the encumbered property or assets for the purposes for which they are held; (v) Encumbrances, title exceptions or other imperfections of title caused by or resulting from acts of the Plan Sponsor or any of the Plan Sponsor's Affiliates, employees, officers, directors, agents, contractors, invitees or licensees of the Plan Sponsor; and (vi) such other Liens as permitted by the Plan Sponsor, in its sole discretion.

"Person" shall mean an individual, a partnership, a sole proprietorship, a company, a firm, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, a union, a group acting in concert, a Judicial Authority, a Governmental Authority or any other entity or association of any kind.

"Plan" shall mean the plan of compromise or arrangement under the CCAA in respect of all of the Vendors on a substantively consolidated basis that, among other things, is consistent with and gives effect to the transactions contemplated by this Agreement, and is otherwise in form and substance satisfactory to the Plan Sponsor, acting reasonably, substantially in the form attached as Exhibit A, as recognized by the Bankruptcy Court in the Bankruptcy Case, as

amended, modified, varied, or restated from time to time in a manner acceptable to the Plan Sponsor, acting reasonably.

"Plan Sponsor" shall mean Brookfield or such other Person or Persons as it may designate on or prior to Closing.

"Plan Sponsor's Affiliates" shall mean any and all Affiliates of the Plan Sponsor other than the Vendors and the Subsidiaries of the Vendors.

"Plan Sponsor's Solicitors" means Torys LLP.

"Premises" means all real property, buildings and facilities, including Lands and any part of any property, building or facility owned, leased, or operated.

"Prepaid Expenses" shall mean any and all prepaid expenses and deposits at any time.

"Purchase Price" shall have the meaning given to such term in Section 4.1(a).

"Purchased Companies" shall mean collectively, FPHI, Fraser Madawaska, FTL and, unless the FNHL Shares, the Gorham Assets and the Gorham Mill become Excluded Property pursuant to Section 2.3 hereof, FNHL.

"Representatives" of a Person shall mean controlling persons, partners, directors, officers, managers, trustees, including any trustee-in-bankruptcy, employees, agents, representatives, consultants, affiliates, advisors, counsel or nominees of such Person.

"Subsidiary" means, with respect to any specified Person, any other Person of which such specified Person is, at the time, directly or indirectly, (a) owns at least 50% of the outstanding capital stock (or other shares of beneficial interest) entitled to vote generally, (b) holds at least 50% of the partnership, limited liability company, joint venture or similar interests, or (c) is a general partner, managing member or joint venturer.

"Targeted Net Working Capital" shall mean Three Million, Eight Hundred and Forty Thousand Dollars (\$3,840,000.00), representing the targeted Net Working Capital of the Lumber Mills Business as at the Closing Date.

"Tax" shall mean all taxes including all income, sales, use, goods and services, harmonized sales, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, levies, imposts and other assessments or similar charges in the nature of a tax, together with any instalments with respect thereto, and any interest, fines and penalties, in all cases imposed by any Governmental Authority in respect thereof and whether disputed or not.

"Termination Date" shall have the meaning given to such term in Section 13.2(b).

"Third Party" shall mean any Person other than a Party or any of its Affiliates.

"Timber Licences" shall mean any and all rights to harvest timber from lands issued by a Governmental Authority or otherwise.

"Transaction" shall mean the transactions contemplated by this Agreement.

"Transactional Costs" shall mean all filing fees, recording fees, surveys, notarial fees, software license fees and all other similar fees and costs arising out of this Agreement, the transfer, assignment, conveyance or delivery of property and assets pursuant hereto, and the other transactions contemplated by this Agreement.

"Unionized Employees" shall mean the Employees who are governed by the Existing Collective Agreement and who are employees of FNHL as of the Closing Date.

"United States" or "U.S." shall mean the United States of America

"U.S. Orders" shall mean collectively, the U.S. Sale Order, the U.S. Sanction Recognition Order and any other Order of the Bankruptcy Court issued and entered in the Bankruptcy Case in respect of the transactions contemplated in this Agreement and the Plan.

"U.S. Sale Order" shall mean an Order of the Bankruptcy Court recognizing and giving effect to the Canadian Approval and Vesting Order and approving the transactions contemplated by this Agreement, in form and substance satisfactory to the Plan Sponsor, acting reasonably.

"U.S. Sanction Recognition Order" shall mean an Order of the Bankruptcy Court recognizing the Canadian Sanction Order, in form and substance satisfactory to the Plan Sponsor, acting reasonably.

"Vendors" shall have the meaning given to such term in the introductory paragraph.

"Vendors' Affiliates" shall mean an Affiliate of the Vendors, which Affiliate for greater certainty shall exclude the Plan Sponsor and any of the Plan Sponsor's Affiliates.

"Vendors' Solicitors" means Thomson Grout Finnigan LLP.

"Workers Compensation Obligations" shall mean obligations of the Purchased Companies to present or past employees of either Lumber Mill pursuant to the Maine Workers Compensation Law (39 A.M.R.S. § 101 et seq. or predecessor or successor statutes) and which are subject to insurance policies that are Included Property, including without limitation the claims listed on Schedule C. For greater certainty, any claims under or in relation to insurance policies that are not Included Property and do not remain with the Purchased Companies following Closing are not Workers Compensation Obligations for purposes of this Agreement.

Section 1.2 Headings and Table of Contents.

The inclusion of headings and a table of contents in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article,

Section or other portion hereof. Unless otherwise provided, references herein to Articles, Sections and Schedules are to Articles, Sections and Schedules to this Agreement.

Section 1.3 Gender and Number and Extended Meanings.

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and *vice versa*, words importing gender include all genders or the neuter, and words importing the neuter include all genders. The term "includes" and "including" means "includes without limitation" and "including without limitation".

Section 1.4 Statutory References.

In this Agreement, unless the context otherwise requires or except as otherwise provided herein, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

Section 1.5 Currency.

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in U.S. currency.

Section 1.6 Generally Accepted Accounting Principles.

In this Agreement, except to the extent otherwise expressly provided, references to "generally accepted accounting principles" mean, for all principles stated in the Handbook of the Canadian Institute of Chartered Accountants, such principles so stated.

Section 1.7 Interpretation.

The Parties acknowledge and agree that: (i) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to their revision; (ii) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (iii) the terms and provisions of this Agreement shall be construed fairly as to the Parties hereto and not in favour of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

Section 1.8 Invalidity of Provisions.

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof. To the extent permitted by Law, the Parties waive any provision of Law which renders any provision of this Agreement invalid or unenforceable in any respect. The Parties shall engage in good faith negotiations to replace any provision which is declared invalid or unenforceable with a valid and enforceable provision, the economic effect of which comes as close as possible to that of the invalid or unenforceable provision which it replaces.

Section 1.9 Entire Agreement.

This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement. There are no warranties, conditions, or representations (including any that may be implied by statute) and there are no agreements in connection with such subject matter except as specifically set forth or referred to in this Agreement. No reliance is placed on any warranty, representation, opinion, advice or assertion of fact made either prior to, contemporaneous with, or after entering into this Agreement, or any amendment or supplement thereto, by any Party to this Agreement or its directors, officers, employees or agents, to any other party to this Agreement or its directors, officers, employees or agents, except to the extent that the same has been reduced to writing and included as a term of this Agreement, and none of the Parties to this Agreement has been induced to enter into this Agreement or any amendment or supplement by reason of any such warranty, representation, opinion, advice or assertion of fact. Accordingly, there shall be no liability, either in tort or in contract, assessed in relation to any such warranty, representation, opinion, advice or assertion of fact, except to the extent contemplated above.

Section 1.10 Waiver, Amendment.

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

Section 1.11 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Section 1.12 Schedules and Exhibits.

The following are the Schedules and Exhibits attached to this Agreement:

Exhibit A	—	Form of Plan
Exhibit B	—	Form of U.S. Tax Certificate
Exhibit C	—	Form of Notice Re U.S. Tax Certificate
Schedule A	—	Designated Employees
Schedule B	—	Inventory
Schedule C	—	Workers Compensation Obligations
Schedule 3.1	—	Continuing Obligations
Schedule 3.1(a)	—	Continuing Accounts Payable
Schedule 7.1	—	Capitalization
Schedule 7.5	—	Compliance with Laws
Schedule 7.6	—	Permits

Schedule 7.7 — Title
Schedule 7.8 — Lands

ARTICLE 2
AGREEMENT OF PURCHASE AND SALE AND PLAN PROPOSAL

Section 2.1 Agreement to Purchase and Sell the FPHI Shares.

Upon the terms and subject to the conditions contained in this Agreement, at Closing the Vendors shall sell, convey, transfer, assign and deliver to the Plan Sponsor, and the Plan Sponsor shall purchase and accept from the Vendors, free and clear of any and all Encumbrances, all right, title and interest of the Vendors in and to the FPHI Shares.

Section 2.2 Release and Assignment of Interests in Included Property.

Upon the terms and subject to the conditions contained in this Agreement, at Closing the Vendors other than the Purchased Companies shall release, sell, convey, transfer, assign and deliver to the Purchased Companies, and the Purchased Companies shall purchase and accept from such other Vendors, free and clear of any and all Encumbrances (other than Permitted Encumbrances), any and all right, title and interest they may have in and to the Included Property. For greater certainty, all right, title and interest in and to the Included Property shall on and after Closing be held by the Purchased Companies free and clear of any and all Encumbrances other than Permitted Encumbrances and free and clear of any and all Liabilities other than Continuing Obligations.

Section 2.3 Excluded Property.

Notwithstanding anything contained herein to the contrary, subject to the terms and conditions contained in this Agreement, the Included Property shall not include any of the following (collectively, the "Excluded Property"):

(a) the Gorham Assets, the Gorham Mill and the FNHL Shares if, prior to Closing, the Vendors complete the sale or the liquidation of the Gorham Assets and the Gorham Mill to one or more arm's length third party Plan Sponsors for cash consideration and on terms and conditions satisfactory to the Plan Sponsor, acting reasonably, whether pursuant to the Gorham APA or otherwise; and

(b) any Assets or other property and assets of the Purchased Companies that the Plan Sponsor designates as Excluded Property by written notice given to the Vendors at any time on or before Closing.

Section 2.4 The Plan.

The purchase and sale transactions contemplated by this Agreement shall be implemented in conjunction with the implementation of the Plan in respect of all of the Vendors. The Plan, and all Court Orders and other documents relating to the Plan, shall among other things extinguish and forever bar any and all Liabilities of the Purchased Companies as of

Closing other than the Continuing Obligations, and shall give effect to and be consistent with the terms and conditions of this Agreement and the Ancillary Agreements and be otherwise in form and content satisfactory to the Plan Sponsor, acting reasonably.

ARTICLE 3 CONTINUING OBLIGATIONS

Section 3.1 Continuing Obligations.

(a) For greater certainty, and notwithstanding anything else in this Agreement or in the Ancillary Agreements: (i) none of the Plan Sponsor and the Plan Sponsor's Affiliates shall assume or be deemed to assume, agree to become responsible for, perform, discharge or pay when due, any Liabilities whatsoever of the Purchased Companies or the other Vendors including, without limitation, the Continuing Obligations and the Excluded Liabilities; and (ii) none of the Purchased Companies shall assume or be deemed to assume, agree to become responsible for, perform, discharge or pay when due any Continuing Obligations of any other Purchased Company.

(b) As a result of the implementation of the Plan, the Court Orders, and other events contemplated by this Agreement, and as a condition precedent to completion of the transactions contemplated by this Agreement, on and immediately after Closing the Purchased Companies shall have no Liabilities whatsoever except for the Liabilities described in Schedule 3.1 attached hereto (collectively, the "Continuing Obligations").

(c) For greater certainty, on Closing the Purchased Companies shall only be liable for accounts payable that constitute Continuing Accounts Payable set out in Schedules 3.1 and 3.1(a) delivered by the Vendors on Closing and mutually agreed to by the Parties. The Purchased Companies shall have no liability whatsoever for any Liabilities with respect to the Ordinary Course accounts payable and trade payables that are to be paid by the Vendors in the Ordinary Course before the Closing. For greater certainty, the Continuing Accounts Payable shall be limited to the post-Filing Date amounts owing to the Person(s) listed in Schedule 3.1(a).

(d) Without limiting the generality of the foregoing, and for greater certainty, the Continuing Obligations will not include any of the following (collectively, the "Excluded Liabilities"):

- (i) any and all Liabilities relating to Excluded Property;
- (ii) any and all Intercompany Liabilities owing by any of the Purchased Companies to any of the other Vendors;
- (iii) any and all Liabilities incurred under or in relation to the Vendors' CCAA Proceedings or Bankruptcy Case;
- (iv) any and all Liabilities of any of the Purchased Companies or other Vendors arising prior to, or relating to events or any operations occurring prior to, the Filing Date (except for the Liabilities expressly set out in clause (ii) and (iii) of Schedule 3.1);

- (v) any and all Liabilities with respect to any current or former Employees of the Purchased Companies who are neither Continuing Employees nor Unionized Employees (regardless of when such Liability arises), and any and all Liabilities with respect to any current or former Employees of any of the other Vendors;
- (vi) any and all Liabilities with respect to the Workers Compensation Obligations if, on or prior to Closing, the Vendors implement Alternative LC Arrangements as defined in Section 4.2 of this Agreement; and
- (vii) any and all Liabilities of the Vendors arising under this Agreement or the Ancillary Agreements.

ARTICLE 4 PURCHASE PRICE AND RELATED MATTERS

Section 4.1 Purchase Price.

(a) Subject to Section 4.1(b), the aggregate purchase price (the "Purchase Price") payable by the Plan Sponsor to the Vendors in respect of the purchase and sale transactions contemplated by this Agreement shall be Fifteen Million Dollars (\$15,000,000) in cash (the "Cash Component"), subject to adjustment in accordance with Section 4.5 of this Agreement.

(b) If the Gorham Assets, the Gorham Mill and the FNHL Shares become Excluded Property in accordance with the terms set out in Section 2.3 of this Agreement, the Cash Component will be reduced by an amount equal to the lesser of: (i) the aggregate net proceeds realized from the sale or liquidation of the Gorham Assets and the Gorham Mill; or (ii) \$2,695,722 million.

Section 4.2 Payment of Purchase Price.

(a) On Closing, the Plan Sponsor shall pay the Cash Component, as adjusted in accordance with Section 4.5 of this Agreement, as follows:

- (i) Payment to the DIP Lender of such amount as may be required to fully and finally repay and satisfy any and all debts, obligations and liabilities under or in respect of the Brookfield DIP Facility. For greater certainty, subject to Section 4.3, the Vendors' obligations in respect of the Brookfield Letters of Credit shall be satisfied by irrevocable and unconditional payment to the DIP Lender of cash in an amount equal to the full amount which may be payable, contingent or otherwise, to recipients or beneficiaries of the Brookfield Letters of Credit (the "Brookfield LC Amount").
- (ii) The balance of the Cash Component, if any, to the Monitor in trust for the benefit of the Vendors other than the Purchased Companies (the "Balance").

(b) The Vendors may make such alternative arrangements as may be available to them prior to Closing, and as may be satisfactory to the Plan Sponsor acting reasonably, to terminate, cancel and surrender the Brookfield Letters of Credit without payment or other obligation, contingent or otherwise, on the part of the DIP Lender, Brookfield, the Plan Sponsor or the Plan Sponsor's Affiliates (the "Alternative LC Arrangements"). In that event, the amount payable under Section 4.2(a)(i) of this Agreement shall be adjusted accordingly so that no amount shall be payable to the DIP Lender in respect of the Brookfield Letters of Credit and the Workers Compensation Obligations shall be Excluded Liabilities.

Section 4.3 Contingent Reimbursement Obligation

If:

(a) at Closing the Vendors satisfy their obligations in respect of the Brookfield Letters of Credit by irrevocable and unconditional payment to the DIP Lender of the Brookfield LC Amount, pursuant to and as contemplated by Section 4.2(a)(i) of this Agreement; and

(b) the cumulative aggregate payments, out-of-pocket costs and expenses, and other third party out-of-pocket amounts paid or payable by the DIP Lender, the Purchased Companies, the Plan Sponsor or the Plan Sponsor's Affiliates to fully and finally satisfy and terminate all obligations and liabilities in respect of the Brookfield Letters of Credit and Workers Compensation Obligations (the "Actual WCB/LC Liability") is less than the Brookfield LC Amount;

the Plan Sponsor shall, as soon as practicable, make to or for the benefit of the Vendors (other than the Purchased Companies) a cash reimbursement payment in an amount equal to the amount by which the Actual WCB/LC Liability is less than the Brookfield LC Amount. The Purchased Companies, the Plan Sponsor and the DIP Lender shall at any time following Closing be entitled to enter into reasonable agreements and arrangements for the satisfaction of any or all liabilities and obligations in respect of the Brookfield Letters of Credit and Workers Compensation Obligations. On or before Closing, the Vendors, the Plan Sponsor, the DIP Lender and the Monitor, each acting reasonably, shall enter into a further agreement detailing the administration of the obligations in this Section 4.3.

Section 4.4 Closing Date Estimated Balance Sheet

Not less than two (2) Business Days before the Closing Date, the Vendors shall deliver to the Plan Sponsor a balance sheet of the Business as at the Closing Date which shall reflect a good faith estimate by the Vendors of the (a) balance sheets of the Business and the Purchased Companies as at the Closing Date, and (b) the Net Working Capital of the Purchased Companies (the "Closing Date Estimated Balance Sheet"). The Closing Date Estimated Balance Sheet shall be accompanied by a certificate of the chief restructuring officer of FPI, or other senior officer of FPI acceptable to the Plan Sponsor, to the effect that such officer has reviewed the Closing Date Estimated Balance Sheet; that the Closing Date Estimated Balance Sheet represents the best estimate, made in good faith, of the financial position of the Business as at the Closing Date, prepared in accordance with this Agreement, and that such officer has no reason to believe that such estimate may not be relied upon for purposes of the Closing. The Closing Date Estimated

Balance Sheet shall also be accompanied by a copy of the working papers of the Vendors used in the preparation thereof, together with such other evidence supporting the amounts specified therein as the Plan Sponsor may reasonably request.

Section 4.5 Adjustment to Cash Component

(a) Within three (3) Business Days of the Closing Date, the Vendors shall notify the Plan Sponsor of any revisions to the Closing Date Estimated Balance Sheet (the "Final Closing Date Balance Sheet"), accompanied by an updated certificate and other materials referred to in Section 4.3 hereof. If, and to the extent that, the Net Working Capital is disclosed in the Final Closing Balance Sheet as being less or more than the Targeted Net Working Capital, the Cash Component will be adjusted accordingly.

(b) For greater certainty: (a) if the Final Closing Date Balance Sheet discloses that the Net Working Capital is greater than the Targeted Net Working Capital, the Cash Component will be increased by the same amount as such difference; and (b) if the Final Closing Date Balance Sheet discloses that the Net Working Capital is less than the Targeted Net Working Capital, the Cash Component will be decreased by the same amount as such shortfall.

(c) Absent patent error, inconsistencies or other defects, the Final Closing Date Balance Sheet shall be used for purposes of determining the Cash Component on Closing and for otherwise completing the transactions contemplated by this Agreement on Closing.

(d) The Purchase Price shall be held and not distributed by the Vendors and the Monitor until the Final Closing Date Balance Sheet has been delivered to the Plan Sponsor and the payment contemplated by Section 4.5(b) hereof, if any, has been made. Notwithstanding the foregoing, the Vendors shall on the Closing Date use any portion of the Purchase Price required to fully repay and satisfy the Brookfield DIP Facility as contemplated by this Agreement.

Section 4.6 Financial Statements

All financial statements and financial information required to be prepared and provided pursuant to this Agreement shall be prepared in accordance with generally accepted accounting principles applied on a basis consistent with previous fiscal periods, except as otherwise provided in this Agreement.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES REGARDING THE PLAN SPONSOR

The Plan Sponsor hereby represents and warrants to the Vendors as of the date hereof as follows:

Section 5.1 Organization.

The Plan Sponsor is a corporation, partnership, limited liability company or other entity that is duly organized, validly existing and in good standing under the Laws of its jurisdiction of formation. The Plan Sponsor has the corporate power and authority necessary to (a) execute,

deliver and perform its obligations under this Agreement and the Ancillary Agreements, (b) consummate the transactions contemplated hereby and thereby to be consummated by it, and (c) conduct its business as currently conducted by it. The Plan Sponsor is duly qualified or licensed and in good standing as a foreign corporation authorized to do business under the Laws of each jurisdiction in which the ownership, leasing or use of assets by it or the conduct of business by it requires such licensing or qualification, except where the failure to be so licensed or qualified and in good standing would not have a material adverse effect on the Plan Sponsor, the execution, delivery or performance of this Agreement, or any of the Ancillary Agreements by the Plan Sponsor or the consummation of the transactions contemplated hereby and thereby to be consummated by it. The Plan Sponsor is not in violation of any provision of its Organizational Documents.

Section 5.2 Authorization, Execution and Enforceability.

The execution and delivery of this Agreement and the Ancillary Agreements in each case to which the Plan Sponsor is a party, by the Plan Sponsor, the performance by the Plan Sponsor of its obligations hereunder and thereunder and the consummation by the Plan Sponsor of the transactions contemplated hereby and thereby to be consummated by it have been duly authorized by all necessary corporate action on the part of the Plan Sponsor. This Agreement constitutes and, as of the Closing each of the Ancillary Agreements will constitute, a legal, valid and binding obligation of the Plan Sponsor, enforceable against the Plan Sponsor in accordance with its respective terms, except insofar as enforceability may be limited by bankruptcy, insolvency, moratorium or other Laws which may affect creditors' rights and remedies generally and by principles of equity (regardless of whether such enforceability is considered in a Proceeding in equity or at law). This Agreement has been, and, as of the Closing each Ancillary Agreement will have been, duly executed and delivered by the Plan Sponsor.

Section 5.3 Financing.

The Plan Sponsor has sufficient funds available on hand to enable the Plan Sponsor (a) to pay the Purchase Price and all fees and expenses related to the transactions contemplated hereby, to the extent that this Agreement or the Ancillary Agreements requires it to pay such fees and expenses, and (b) to pay and discharge all of its other liabilities and obligations when due.

Section 5.4 Brokers; Finders.

No finder, broker or similar intermediary acting on behalf of the Plan Sponsor or any of the Plan Sponsor's Affiliates is entitled to a commission, fee or other compensation in connection with the negotiation, execution or delivery of this Agreement or the Ancillary Agreements or the consummation of any of the transactions contemplated hereby or thereby.

Section 5.5 Vendors' Acknowledgment; Exclusivity of Representations and Warranties.

The Vendors acknowledge and agree that except for the representations and warranties expressly set forth herein or in any Ancillary Agreement, the Vendors have not relied on any representation or warranty from the Plan Sponsor or any of the Plan Sponsor's Affiliates or any employee, officer, director, accountant, financial, legal or other Representative of the Plan Sponsor or the Plan Sponsor's Affiliates in determining whether to enter into this Agreement.

**ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF THE VENDORS**

Each of the Vendors represents and warrants to the Plan Sponsor, as of the date hereof, as follows:

Section 6.1 Organization.

Each of the Vendors is a corporation, partnership, limited liability company or other entity that is duly organized, validly existing and in good standing under the Laws of its jurisdiction of formation. Each of the Vendors has the corporate power and authority necessary to conduct the Business as currently conducted by it. Subject to requisite Canadian Court and Bankruptcy Court approval, each of the Vendors has the corporate power and authority necessary to (a) execute, deliver and perform its obligations under this Agreement and the Ancillary Agreements, and (b) consummate the transactions contemplated hereby and thereby to be consummated by it. Each of the Vendors is duly qualified or licensed and in good standing as a foreign corporation authorized to do business under the Laws of each jurisdiction in which the current ownership, leasing or use of assets by it or the current conduct of business by it requires such licensing or qualification, except where the failure to be so licensed or qualified and in good standing would not, individually or in the aggregate, have a Material Adverse Effect on any of the Vendors, the execution, delivery or performance of this Agreement, or any of the Ancillary Agreements by each of the Vendors or the consummation of the transactions contemplated hereby and thereby to be consummated by each of them. Each of the Vendors is not in violation of any provision of its Organizational Documents except where such violation would not, individually or in the aggregate, have a Material Adverse Effect.

Section 6.2 Authorization, Execution and Enforceability.

Subject to requisite Canadian Court approval and Bankruptcy Court approval, the execution and delivery of this Agreement and the Ancillary Agreements by each of the Vendors, the performance by each of the Vendors of its obligations hereunder and thereunder and the consummation by each of the Vendors of the transactions contemplated hereby and thereby to be consummated by it have been duly authorized by all necessary corporate action on the part of each of the Vendors. Subject to requisite Canadian Court approval and Bankruptcy Court approval, this Agreement constitutes, and, as of the Closing each of the Ancillary Agreements will constitute, a legal, valid and binding obligation of each of the Vendors, enforceable against each of the Vendors in accordance with its respective terms, except insofar as enforceability may be limited by general principles of equity. This Agreement has been, and, as of the Closing each Ancillary Agreement will have been, duly executed and delivered by each of the Vendors.

Section 6.3 No Conflict.

Subject to approval of the Canadian Court and the Bankruptcy Court and receipt of the Consents and Approvals, the execution, delivery and performance by each Vendor of this Agreement and the Ancillary Agreements to which such Vendor is, or on the Closing Date will be, a party do not and will not conflict with or result in a breach of the terms, conditions or provisions of, constitute a default under, result in a violation of, give to any Person any right of

termination, amendment, modification, acceleration or cancellation or any preemptive right or right to the payment of any penalty under, or result in the creation or imposition of any Encumbrance upon any of the assets or property of the Vendors, or require any consent or other action by or declaration or notice to any Government Authority pursuant to (i) the Organizational Documents of the Vendors, (ii) any material contract to which the Vendors are a party or to which any of their assets or property are subject, (iii) any order of any Government Authority or Judicial Authority applicable to any Vendor or by which any of their assets or property are bound, or (iv) any Laws to which any of the Vendors, or any of their assets or property are subject, except for such defaults, violations and notifications that would not, individually or in the aggregate, materially hinder, delay or impair the performance by the Vendors of any of their obligations under the Ancillary Agreements.

Section 6.4 Brokers; Finders.

No finder, broker or similar intermediary acting on behalf of the Vendors is entitled to a commission, fee or other compensation in connection with the negotiation, execution or delivery of this Agreement or the Ancillary Agreements or the consummation of any of the transactions contemplated hereby or thereby.

Section 6.5 Non Resident.

FPI is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada).

Section 6.6 Title to the FPHI Shares.

FPI is the beneficial owner of record of the FPHI Shares with good title thereto. The FPHI Shares are not subject to any voting trust, shareholder agreement or voting agreement. Upon completion of the transactions contemplated by this Agreement, all of the FPHI Shares will be owned by the Plan Sponsor as the beneficial owner of record, with good title thereto, and, at the Time of Closing, will be free and clear of all Encumbrances, except for Permitted Encumbrances.

Section 6.7 Title to the FTL Shares and the Fraser Madawaska Shares.

FPHI is the beneficial owner of record of the FTL Shares and the Fraser Madawaska Shares, in each case, with good title thereto. None of the FTL Shares or the Fraser Madawaska Shares is subject to any voting trust, shareholder agreement or voting agreement. Upon completion of the transactions contemplated by this Agreement, all of the FTL Shares and the Fraser Madawaska Shares will be owned by the Plan Sponsor as the beneficial owner of record, with good title thereto, and, at the Time of Closing, will be free and clear of all Encumbrances, except Permitted Encumbrances.

Section 6.8 Title to the FNHL Shares.

Fraser Madawaska is the beneficial owner of record of the FNHL Shares with good title thereto. The FNHL Shares are not subject to any voting trust, shareholder agreement or voting agreement. Unless excluded pursuant to Section 2.3(a) hereof, upon completion of the transactions contemplated by this Agreement, all of the FNHL Shares will be owned by Fraser

Madawaska as the beneficial owner of record, with good title thereto, and, at the Time of Closing, will be free and clear of all Encumbrances, except for Permitted Encumbrances.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES IN RESPECT OF THE PURCHASED
COMPANIES, THE INCLUDED ASSETS AND THE BUSINESS

Each of the Vendors represents and warrants to the Plan Sponsor, as of the date hereof, as follows:

Section 7.1 Capitalization.

Schedule 7.1 sets out the particulars of the authorized and issued capital of each of the Purchased Companies, the names of the beneficial owners of such securities, and if such beneficial owners are not the registered owners of such securities, the names of the Persons shown on the securities register of the applicable Purchased Company. The owners have good and marketable title, free of all Encumbrances, to the securities which are owned by them, as set out in Schedule 7.1. All of the securities listed in Schedule 7.1 as being issued and outstanding have been validly issued in compliance with all applicable Law and are outstanding as fully paid and non-assessable securities.

Section 7.2 Subsidiaries.

Except for the Katahdin Preferred Shares, FNHL and Former Landfill, none of the Purchased Companies has any other direct or indirect subsidiaries or hold, directly or indirectly, any shares or other ownership, equity or proprietary interests in any other Person or have any agreement of any nature to acquire, directly or indirectly, any shares or other ownership, equity or proprietary interests in any other Person.

Section 7.3 No Other Agreements to Purchase or Sell.

Except as set out in this Agreement and the transactions contemplated thereby and hereby, and except for the Gorham APA, no Person has any written or oral agreement, option or warrant or any right or privilege (whether by applicable Law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any interests in any of the Purchased Companies, the FPHI Shares or any of the Included Property.

Section 7.4 Records.

The Books and Records of each of the Purchased Companies are complete and accurate in all material respects and all corporate proceedings and actions reflected in such Books and Records have been conducted or taken in compliance with all applicable Law and with the applicable Organizational Documents of each of the Purchased Companies, as applicable.

Section 7.5 Compliance with Laws.

Except as set forth in Schedule 7.5, and except as would not, individually or in the aggregate, have a Material Adverse Effect, each of the Purchased Companies has conducted and

continues to conduct the Business in accordance with all Laws and Orders applicable to the Business and, to the knowledge of the Vendors, none of the Purchased Companies is in violation of any Law or any Order applicable to the operation of the Business.

Section 7.6 Permits.

Schedule 7.6 sets forth all of the material Permits and all pending applications therefore which have been issued to, or are held or used by, each of the Vendors which are, or upon issuance, would reasonably be expected to be, material to the conduct of Business or the ownership of the FPHI Shares or the Included Property. The Permits have been duly obtained and are to the knowledge of the Vendors, in full force and effect. The Vendors are in compliance with all material terms of such Permits, in each case except for such violations as would not have, individually or in the aggregate, a Material Adverse Effect.

Section 7.7 Title.

Each of the Vendors, including the Purchased Companies are the beneficial owners of the Included Property, as applicable, and have good and marketable title thereto. Except for the Encumbrances listed in Schedule 7.7 that will be discharged by the Vendors prior to Closing or pursuant to the Plan approved by the Court Orders, each of the Purchased Companies owns its respective Included Property free and clear of all Encumbrances, except Permitted Encumbrances.

Section 7.8 Lands.

Schedule 7.8 contains true and complete descriptions of all of the Lands. Except as described in Schedule 7.8 or except as would not have, individually or in the aggregate, a Material Adverse Effect, the Purchased Companies have title in fee simple to the Lands, as applicable, free and clear of all Encumbrances, except Permitted Encumbrances and Encumbrances that will be discharged by the Vendors on or before Closing or pursuant to the Court Orders. None of the Lands has been classified as "Tree Growth", "Farmland", or "Open Space" property for tax purposes.

Section 7.9 Survival of Covenants, Representations and Warranties.

The covenants, representations and warranties contained in this Agreement, the Ancillary Agreements and in all certificates and documents delivered pursuant to or contemplated by this Agreement or the Ancillary Agreements shall survive the Closing.

**ARTICLE 8
EMPLOYEE MATTERS**

Section 8.1 Continuing Employment.

(a) In the event that the Gorham Assets and the Gorham Mill constitute Included Property, at Closing FNHL shall continue to employ the Unionized Employees who are Employees of FNHL immediately prior to Closing, on the same terms and conditions applicable to such Unionized Employees immediately prior to the Closing.

(b) The Purchased Companies shall continue to employ at Closing such of their respective Employees who are Continuing Employees, pursuant to and in accordance with the terms and conditions of this Agreement. The Vendors and the Plan Sponsor acknowledge that the transactions contemplated by this Agreement shall not constitute a severance of employment of any such Continuing Employee prior to or upon the consummation of the transactions contemplated hereby, and that such employees will have continuous and uninterrupted employment immediately before and immediately after the Closing.

(c) The Purchased Companies agree to provide any required notice under the *Worker Adjustment and Retraining Notification Act*, as amended (the "WARN Act"), and any similar statute, and to otherwise comply with any such statute with respect to any "plant closing" or "mass layoff" (as defined in the WARN Act) or similar event affecting Continuing Employees or Unionized Employees (including as a result of the consummation of the transactions contemplated by this Agreement) and occurring on or after the Closing Date. Between the Effective Date and the Closing Date, the Vendors shall not, without the Plan Sponsor's consent, which consent may be withheld in the Plan Sponsor's sole and absolute discretion, take any action whatsoever that would cause any termination of employment of any Employees by the Purchased Companies during such period of time that would constitute a "plant closing" or "mass layoff" under the WARN Act or any similar statute.

ARTICLE 9 ADDITIONAL AGREEMENTS OF THE PARTIES

Section 9.1 Conduct by the Plan Sponsor.

The Plan Sponsor covenants and agrees that, except as expressly contemplated by this Agreement, or as otherwise required by Law, after the Effective Date and prior to the earlier of the Closing Date or the Termination Date:

(a) the Plan Sponsor shall, and shall cause the Plan Sponsor's Affiliates to, refrain from taking any action which would cause any representation or warranty contained in Article 5 to be untrue or incorrect in any material respect as of the Closing; and

(b) subject to the Court Orders and subject to the express provisions of this Agreement, the Plan Sponsor shall use commercially reasonable efforts (i) to perform and satisfy all conditions to each of the Plan Sponsor's obligations to consummate the transactions contemplated by this Agreement that are to be performed or satisfied by the Plan Sponsor under this Agreement, and (ii) to cause the Closing to occur as promptly as reasonably practicable and the Plan Sponsor shall not, and shall not permit any of the Plan Sponsor's Affiliates to, intentionally take any action that is reasonably likely to prevent or delay the consummation of the transactions contemplated hereby.

Section 9.2 Conduct by the Vendors.

Each of the Vendors covenants and agrees that, except as expressly contemplated by this Agreement, or as otherwise required by Law, after the Effective Date and prior to the earlier of the Closing Date or the Termination Date:

(a) each of the Vendors shall, and shall cause the Vendors' Affiliates to, refrain from taking any action that would cause any representation or warranty contained in Article 6 or Article 7 to be untrue or incorrect as of the Closing; and

(b) subject to the Court Orders and the express provisions of this Agreement, each of the Vendors shall use commercially reasonable efforts (i) to perform and satisfy all conditions to such Vendor's obligations to consummate the transactions contemplated by this Agreement that are to be performed or satisfied by such Vendor under this Agreement; and (ii) to cause the Closing to occur as promptly as reasonably practicable, and each of the Vendors shall not, and shall not permit any of the Vendors' Affiliates to, intentionally take any action that is reasonably likely to prevent or delay the consummation of the transactions contemplated hereby.

Section 9.3 Conduct of Business.

Subject to any Court Orders, after the Effective Date and prior to the earlier of the Closing Date or the Termination Date, to the extent related solely to the Business and the Purchased Companies, each of the Vendors shall, and shall cause the Vendors' Affiliates to, except as may otherwise be consented to by the Plan Sponsor, in writing, acting reasonably: (i) carry on business in the Ordinary Course; (ii) use its best efforts to preserve its business organization and goodwill; (iii) maintain its relationships with suppliers, customers, consultants and others having business relations with it; (iv) retain in its employ all of its employees; and (v) make all payments in the Ordinary Course; and shall not, except as may otherwise be consented to by the Plan Sponsor, acting reasonably:

(a) amend, revise, modify or agree to do any of the foregoing in respect of any Contract material to the Business;

(b) amend, revise, modify or agree to do any of the foregoing in respect of any of the Benefit Plans; and

(c) seek any Order in respect of, in relation to or in connection with the FPHI Shares, the Included Property, the Continuing Obligations or the Business unless such Order is satisfactory to the Plan Sponsor, acting reasonably.

Section 9.4 Access to Information.

Prior to the Closing, the Vendors shall, and shall cause their Subsidiaries to, (i) give the Plan Sponsor and its authorized Representatives, upon reasonable advance notice and during regular business hours, reasonable access to all Books and Records, personnel, officers and other facilities and properties of the Business, (ii) permit the Plan Sponsor to make such copies and inspections thereof, upon reasonable advance notice and during regular business hours, as the Plan Sponsor may reasonably request, (iii) grant the Plan Sponsor and its Representatives reasonable access to each of the facilities of the Business where the FPHI Shares or the Included Property is located for purposes of completing an updated inventory of the fixed assets of the Business for purposes of completing an appraisal of the value thereof, and (iv) cause the officers of the Vendors to furnish the Plan Sponsor with such additional financial and operating data and other information with respect to the Business as is regularly prepared in the Ordinary Course that the Plan Sponsor may from time to time reasonably request; provided, however, that any

such access shall be conducted at the Plan Sponsor's expense, in accordance with Law, at a reasonable time, under the supervision of the Vendors' personnel and in such a manner as to maintain confidentiality and not to unreasonably interfere with the normal operations of the businesses of the Vendors and the Vendors' Affiliates.

Section 9.5 Regulatory Matters.

Each of the Parties, as promptly as practicable after the execution of this Agreement, will make, or cause to be made, all such filings and submissions under all Laws, as may be required for it to consummate the purchase and sale of the FPHI Shares and the Included Property in accordance with the terms of this Agreement. The Parties will coordinate and cooperate with one another in exchanging such information and supplying such assistance as may be reasonably requested by each in connection with the foregoing, including providing each other with all notices and information supplied to or filed with any Governmental Authority (except for notices and information which any Party, acting reasonably, considers highly confidential and sensitive which may be filed on a confidential basis), and all notices and correspondence received from any Governmental Authority.

Section 9.6 Maintenance of Books and Records; Access after Closing.

The Plan Sponsor shall use its commercially reasonable efforts to retain all of the Books and Records delivered to it by the Vendors hereunder and relating to any period ending on or prior to the Closing Date for a period of six (6) years following the Closing Date. At any time during such six-year period, each of the Vendors and its Representatives shall have reasonable access thereto, during normal business hours, in connection with the affairs of the Vendors but the Plan Sponsor shall not be responsible or liable to any of the Vendors for or as a result of any unintentional loss or destruction of or damage to any of the Books and Records.

Section 9.7 Ancillary Agreements.

The Parties shall use their reasonable efforts to promptly negotiate and finalize in good faith the Ancillary Agreements to which it is contemplated they will be Parties. All Ancillary Agreements must be in form and content satisfactory to the Plan Sponsor, acting reasonably.

Section 9.8 Tax Structure.

During the period from the date hereof to the Time of Closing, each of the Vendors shall use its reasonable efforts to assist and co-operate with the Plan Sponsor in structuring the transactions contemplated by this Agreement in a tax effective and tax efficient manner for the Purchased Companies, the Plan Sponsor and the Plan Sponsor's Affiliates, as may be reasonably requested by the Plan Sponsor, provided that the Vendors shall not be required to undertake any structuring that adversely affects the financial condition of the Vendors, acting reasonably.

Section 9.9 Transfer of Assets.

Prior to the Time of Closing, each of the Vendors, other than the Purchased Companies, shall have executed, delivered and registered all documents, at such Vendor's expense and in form and substance satisfactory to the Plan Sponsor, required to release or convey, free of

Encumbrances other than Permitted Encumbrances, to the Purchased Companies any and all right, title and interest in: (i) any and all assets and properties used in the operation of or relating to any or all of the Mills; (ii) the Katahdin Preferred Shares; and (iii) all other Included Property.

Section 9.10 Notice of Untrue Representation or Warranty.

The Vendors will promptly notify the Plan Sponsor, and the Plan Sponsor will promptly notify the Vendors, upon (i) any representation or warranty made by it contained in this Agreement becoming untrue, incorrect or misleading during the period from the date hereof to the Time of Closing and for the purposes of this Section 9.10 each representation and warranty will be deemed to be given at and as of all times during such period; and (ii) becoming aware that any representation or warranty made by it contained in any of the Ancillary Agreements will not be true and correct as at the Time of Closing. Any such notification will set out particulars of the untrue, incorrect or misleading representation or warranty and details of any actions being taken by the Vendors or the Plan Sponsor, as the case may be, to rectify that state of affairs.

Section 9.11 Vendors' Covenants

Each of the Vendors covenants and agrees that none of its obligations under this Agreement or any Ancillary Agreement shall be subject to compromise or arrangement pursuant to the Plan or otherwise under the CCAA Proceedings, any recognition proceedings under the Bankruptcy Case, or any other applicable Law or proceeding.

**ARTICLE 10
CONDITIONS TO CLOSING**

Section 10.1 Conditions for the Benefit of the Plan Sponsor.

The obligations of the Plan Sponsor to consummate the transactions contemplated hereby are, unless waived by the Plan Sponsor, subject to the fulfillment, at or before the Closing or as otherwise specified below, of each of the following conditions:

(a) the representations and warranties of the Vendors set forth in Article 6 and Article 7 shall be true and correct in all material respects;

(b) the Schedules provided on or before the Effective Date and required to be updated and delivered for Closing shall not contain any new information at Closing that would, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(c) (i) no Law shall be in effect, and (ii) no Governmental Authority shall have enacted, issued, promulgated or entered an Order which is in effect, in each case that has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement;

(d) the Vendors shall have at all times been in compliance with all of their covenants and agreements in this Agreement;

(e) the Plan Sponsor shall have received the Ancillary Agreements required to be delivered to it by the Vendors at or before the Closing, duly executed by all necessary Persons (other than the Plan Sponsor) and in form and content satisfactory to the Plan Sponsor, acting reasonably;

(f) the Canadian Court shall have entered the Canadian Orders and the Bankruptcy Court shall have entered the U.S. Orders, which orders shall be in form and content satisfactory to the Plan Sponsor, acting reasonably, shall have become Final Orders, and shall not have been stayed, modified or amended in any way;

(g) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement;

(h) all actions, proceedings, instruments and documents required to complete the Transaction, including the Agreement and the Ancillary Agreements, shall have been approved as to form, substance and legality by the Plan Sponsor, and the Plan Sponsor and the Vendors shall have entered into the Ancillary Agreements;

(i) satisfaction of the Plan Sponsor, acting reasonably, that on Closing none of the Purchased Companies will be liable for any Liabilities other than the Continuing Obligations, solely as specifically and expressly provided for in this Agreement;

(j) satisfaction of the Plan Sponsor, acting reasonably, that none of it or the Plan Sponsor's Affiliates will assume or be deemed to assume any Liabilities of the Purchased Companies or the Vendors as a result of having entered into this Agreement or having taken any action contemplated by or in furtherance of this Agreement or the Transaction;

(k) each of the Vendors shall have complied, at all times, with the terms and conditions of all of its agreements with the Plan Sponsor and the Plan Sponsor's Affiliates including, without limitation, the DIP Lender;

(l) the obligations of the Vendors under or in respect of the Brookfield DIP Facility shall not have materially exceeded the borrowing projections contemplated by the Budget and, in any case, shall not at Closing exceed US\$15,000,000 less the amount of the net proceeds realized or to be realized from a sale or liquidation of the Gorham Assets and the Gorham Mill on or before Closing;

(m) (i) the Vendors shall have promptly applied all cash-on-hand and cash receipts (including, without limitation, all net proceeds realized from a sale or liquidation of the Gorham Assets and the Gorham Mill and the Cash Component) to repayment of all amounts owing under the Brookfield DIP Facility; (ii) all obligations under the Brookfield DIP Facility shall have been fully paid and satisfied in the manner contemplated by this Agreement (including, without limitation, in relation to the Brookfield Letters of Credit); and (iii) the Brookfield DIP Facility shall have been terminated and cancelled in a manner satisfactory to the DIP Lender, acting reasonably;

(n) the transfers and conveyances contemplated in Section 9.9 shall have been completed, in form and substance satisfactory to the Plan Sponsor;

(o) the Plan shall have received all necessary or desirable approvals to the satisfaction of the Plan Sponsor, acting reasonably, and the Plan Sponsor shall be satisfied, acting reasonably, with the terms and conditions of the Plan and all other materials and documents relating to the Plan or the Transaction;

(p) the Closing shall have occurred and the Transaction shall have been consummated on or prior to February 15, 2011;

(q) all Consents and Approvals shall have been obtained on terms and conditions satisfactory to the Plan Sponsor, acting reasonably, in respect of the transactions contemplated by this Agreement including, without limitation, the sale of the FPHI Shares, the release and assignment of the Included Property (including Contracts, Permits and Timber Licences of the Purchased Companies), and the implementation of the Plan;

(r) no Material Adverse Effect shall, individually or in the aggregate, have occurred between the Effective Date and the Closing Date; and

(s) all other events and actions contemplated by this Agreement shall have been completed, and the Vendors shall be in compliance with all of their obligations and agreements under this Agreement, the Plan, and the Court Orders, all to the satisfaction of the Plan Sponsor, acting reasonably.

The foregoing conditions are for the exclusive benefit of the Plan Sponsor and may be waived by the Plan Sponsor in whole or in part. Any such waiver shall be binding on the Plan Sponsor only if made in writing.

Section 10.2 Conditions for the Benefit of the Vendors.

The obligations of the Vendors to consummate the transactions contemplated hereby are, unless waived by the Vendors, subject to the fulfillment, at or before the Closing, of each of the following conditions:

(a) payment of the Purchase Price as set forth in Section 4.2, subject to adjustment as set forth in Section 4.1(b) and Section 4.5 of this Agreement;

(b) the representations and warranties of the Plan Sponsor set forth in Article 5 shall be true and correct in all material respects;

(c) (i) no Law shall be in effect, and (ii) no Governmental Authority shall have enacted, issued, promulgated or entered an Order which is in effect, in each case that has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement;

(d) the Plan Sponsor shall have at all times been in compliance in all material respects with all of its covenants and agreements set forth in this Agreement;

(e) the Vendors shall have received the Ancillary Agreements required to be delivered to them by the Plan Sponsor at or before the Closing, duly executed by all necessary

Persons (other than the Vendors) and in form and content satisfactory to the Vendors, acting reasonably;

(f) (i) the Canadian Court shall have entered the Canadian Orders and the Bankruptcy Court shall have entered the U.S. Orders, which orders shall not have been stayed, modified or amended in any way;

(g) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement; and

(h) this Agreement shall have been approved by the Board of Directors of the Vendors.

The foregoing conditions are for the exclusive benefit of the Vendors and may be waived by the Vendors in whole or in part. Any such waiver shall be binding on the Vendors only if made in writing.

ARTICLE 11 TRANSACTIONAL COSTS

Section 11.1 Payment of Transactional Costs.

The Plan Sponsor and the Vendors shall be liable for all of their own Transactional Costs and transactional taxes payable under any Law on or with respect to the transactions contemplated by this Agreement.

Section 11.2 Elections.

The Vendors and the Plan Sponsor agree to make, execute and file with the appropriate taxing authorities such elections or purchase exemption certificates as the parties hereto agree are reasonable or mutually desirable, if any, in prescribed form and within the prescribed time.

Section 11.3 U.S. Tax Certificate Information

The Vendors shall provide to the Plan Sponsor prior to Closing such information as the Plan Sponsor may reasonably request to allow the Plan Sponsor to confirm that the stock of FPHI does not constitute a "United States real property interest" within the meaning of Section 897(c)(1) of the United States Internal Revenue Code of 1986, as amended, and such statements and documents in relation thereto as the Plan Sponsor may reasonably request for filing with or delivery to applicable tax authorities including, without limitation, in relation to the filing of certificates substantially in the form of Exhibits B and C attached to this Agreement.

ARTICLE 12 CLOSING

Section 12.1 Location and Time of the Closing.

Upon the terms and subject to the conditions hereof, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Torys LLP, located at Suite 3000, 79 Wellington St. West, Toronto-Dominion Centre, Toronto, Ontario, M5K 1N2, or such other place as the Plan Sponsor and the Vendors may mutually agree, no later than three (3) Business Days following the date on which the conditions set forth in Section 10.1 and Section 10.2 of this Agreement have been satisfied or (if permissible) waived (other than the conditions which by their nature are to be satisfied at the Closing, but subject to the satisfaction or (if permissible) waiver of such conditions), or such other date as the Vendors and the Plan Sponsor may mutually agree (the "Closing Date"). The Closing shall be deemed to have been consummated and become effective for all purposes as of 12:01 a.m. Toronto time on the Closing Date.

Section 12.2 Closing Deliveries of the Vendors.

At the Closing, the Vendors shall deliver or cause to be delivered to the Plan Sponsor:

- (a) assignments or other instruments of transfer duly endorsed in blank, or accompanied by share powers or other instruments of transfer duly executed in blank, and otherwise in form and substance reasonably acceptable to the Plan Sponsor for transfer of the FPHI Shares to the Plan Sponsor, bills of sale, assurances, transfers, assignments, consents, and such other agreements, documents and instruments as may be reasonably required by the Plan Sponsor to complete the Transactions provided for in this Agreement;
- (b) all original certificates and instruments in respect of the FPHI Shares;
- (c) the written resignation of each member of the board of directors and officer of each of the Purchased Companies, together with a release in favour of each of the Purchased Companies in his or her capacity as director or officer only effective as at the Closing;
- (d) all Books and Records relating to the Purchased Companies;
- (e) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Vendors contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date. For greater certainty, the representations and warranties of the Vendors contained in this Agreement made as of the Closing Date shall not be qualified by knowledge;
- (f) the Schedules to this Agreement updated and delivered for Closing pursuant to the terms of this Agreement in form and content satisfactory to the Plan Sponsor, acting reasonably;

(g) an acknowledgement, dated the Closing Date, that each of the conditions precedent in Section 10.2 of this Agreement have been fulfilled, performed or waived as of the Closing Date;

(h) a certified copy of each of the Canadian Orders;

(i) a certified copy of each of the U.S. Orders;

(j) the Consents and Approvals;

(k) a certificate substantially in the form of Exhibit B;

(l) a Notice substantially in the form of Exhibit C;

(m) an executed copy of the Monitor's Certificate;

(n) a counterpart signature page to each Ancillary Agreement, duly executed by each of the Vendors, as applicable; and

(o) such other certificates, instruments and documents, in form and substance reasonably satisfactory to the Plan Sponsor, as may be contemplated by this Agreement or as the Plan Sponsor may reasonably request.

Section 12.3 Closing Deliveries of the Plan Sponsor.

At the Closing, the Plan Sponsor shall deliver, or cause to be delivered, to the Vendors:

(a) payment of the Purchase Price as set forth in Section 4.2;

(b) a counterpart signature page to each Ancillary Agreement, duly executed by the Plan Sponsor;

(c) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Plan Sponsor contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;

(d) an acknowledgement, dated the Closing Date, that each of the conditions precedent in Section 10.1 of this Agreement have been fulfilled, performed or waived as of the Closing Date; and

(e) such other certificates, instruments and documents in form and substance reasonably acceptable to the Vendors, as the Vendors may reasonably request.

Section 12.4 Maine Real Estate Transfer Taxes.

At Closing, the Plan Sponsor and the Purchased Companies, as applicable, conveying the Lands relating to the Included Assets and/or the Mills shall execute one or more real estate transfer declarations that shall establish the portion of the Purchase Price that is allocable to such Lands. The Plan Sponsor and the Purchased Companies, as applicable, shall use best

commercial efforts to establish that the transfer of such Lands hereunder is exempt from taxation under 36 MRSA Sec. 4641-C(14). Notwithstanding Section 11.1 hereof, to the extent that any taxes are payable with respect to the transfer of such Lands, the Plan Sponsor and the Vendors shall each be responsible for, and pay, 50% of such taxes.

Section 12.5 Possession.

The Purchased Companies shall be entitled to vacant possession of the Mills and other Included Property on and after Closing. The Vendors shall deliver to the Purchased Companies on Closing such keys, lock and safe combinations and other similar items as the Purchased Companies may require to obtain immediate and full occupation, possession and control of the Mills and the Included Property.

ARTICLE 13 RISK AND TERMINATION

Section 13.1 Risk of Loss.

The FPHI Shares and the Included Property shall be and remain the risk of the Vendors until Closing and at the risk of the Plan Sponsor (in the case of the FPHI Shares) and the Purchased Companies (in the case of the Included Property) from and after Closing. If, prior to Closing, the Included Property shall be substantially damaged or destroyed by fire or other casualty, then, at its option, the Plan Sponsor may decline to complete the Transaction. Such option shall be exercised within five (5) Business Days after notification to the Plan Sponsor by the Vendors of the occurrence of damage or destruction (or prior to the Closing Date if such occurrence takes place within five (5) Business Days of the Closing Date) in which event this Agreement shall be terminated automatically. If the Plan Sponsor does not exercise such option, it shall complete the Transaction and shall be entitled to an assignment of the proceeds of insurance referable to such damage or destruction. Where any damage or destruction is not substantial, the Plan Sponsor shall complete the Transaction and shall be entitled to an assignment of the proceeds of insurance referable to such damage or destruction provided that such damage or destruction is insured or, otherwise by an agreed abatement.

Section 13.2 Termination.

This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written consent of the Parties;
- (b) by the Plan Sponsor, upon written notice to the Vendors, if the Closing does not take place by February 15, 2011 (the "Termination Date");
- (c) by the Plan Sponsor in the event of a material breach by the Vendors of the Vendors' representations, warranties, agreements or covenants set forth in this Agreement, which breach would result in a failure to satisfy the conditions to Closing set forth in Section 10.1 of this Agreement;

(d) by the Vendors in the event of a material breach by the Plan Sponsor of the Plan Sponsor's representations, warranties, agreements or covenants set forth in this Agreement, which breach would result in a failure to satisfy the conditions to Closing set forth in Section 10.2 of this Agreement;

(e) by the Plan Sponsor if any of the conditions in Section 10.1 of this Agreement have not been satisfied by Closing and the Plan Sponsor has not waived such condition at or prior to Closing; or

(f) by the Vendors if any of the conditions in Section 10.2 of this Agreement have not been satisfied by Closing and the Vendors have not waived such condition at or prior to Closing.

Section 13.3 Effects of Termination.

If this Agreement is terminated pursuant to Section 13.2, all further obligations of the Parties under or pursuant to this Agreement shall terminate without further liability of any Party to the other except for the provisions of: (i) Section 7.9 (Survival of Covenants, Representations and Warranties); (ii) Section 13.2 (Termination); (iii) Section 13.3 (Effects of Termination); and (iv) Article 14 (Miscellaneous), provided, that neither the termination of this Agreement nor anything in this Section shall relieve any Party from liability for any breach of this Agreement occurring before the termination hereof and thereof.

ARTICLE 14 MISCELLANEOUS PROVISIONS

Section 14.1 Confidentiality.

The Parties hereby agree to keep confidential this Agreement and the terms and conditions contained herein, and not at any time to disclose such information except: (i) where such information is in the public domain through no breach of the terms of this Agreement by either Party, (ii) where such information is required by Law to be disclosed to any Governmental Authority (including, without limitation, any stock exchange), (iii) on a need to know basis to each of the Parties' Representatives, (iv) as required in connection with the CCAA Proceedings and the Bankruptcy Case, or as otherwise directed by the Canadian Court and the Bankruptcy Court, or (v) where disclosure is agreed to in writing between the Parties.

Section 14.2 Non-Disclosure.

Except (i) as and to the extent required by Law, the CCAA Proceedings or the Bankruptcy Case, (ii) to its Representatives, (iii) to the Monitor and its Representatives, or (iv) to the DIP Lender and its Representatives, neither the Plan Sponsor nor the Vendors shall, and each shall direct its Representatives not to, without the prior written consent of the other Party, directly or indirectly, make any public comment, statement or communication with respect to, or otherwise disclose or permit the disclosure of the existence of discussions regarding, a possible transaction between the Parties or any of the terms, conditions or other aspects of the Transaction or the contents of this Agreement or the Ancillary Agreements.

Section 14.3 Expenses.

The Plan Sponsor and the Vendors shall be responsible for their own respective costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement.

Section 14.4 Solicitors and Agents and Tender

Any notice, approval, waiver, agreement, instrument, document or communication permitted, required or contemplated in this Agreement may be given or delivered and accepted or received by the Plan Sponsor's Solicitors on behalf of the Plan Sponsor and by the Vendors' Solicitors on behalf of the Vendors and any tender of this Agreement or the Ancillary Agreements and the balance of the Purchase Price may be made upon the Vendors' Solicitors and the Plan Sponsor's Solicitors, as the case may be.

Section 14.5 Successors and Assigns.

This Agreement shall enure to the benefit of, and be binding on, the Parties and their respective successors and permitted assigns. This Agreement may not be assigned by either Party without the prior written consent of the other, which consent shall not be unreasonably withheld; provided, however, that the Plan Sponsor may, without the consent of the Vendors, assign and delegate its rights under this Agreement to one or more of the Plan Sponsor's Affiliates, and in interpreting this Agreement any such assignee(s) shall be considered the "Plan Sponsor".

Section 14.6 Third Party Beneficiaries.

Each Party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person other than the Parties hereto and their successors and permitted assigns, and no Person, other than the Parties hereto and their successors and their permitted assigns, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

Section 14.7 Notices.

(a) Mode of Giving Notice. Any notice, direction, certificate, consent, determination or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be effectively given and made if (i) delivered personally, (ii) sent by prepaid courier service or mail, or (iii) sent prepaid by fax or other means of electronic communication, in each case to the applicable address set out below:

(i) if to the Plan Sponsor, to:

c/o Brookfield Asset Management Inc.
181 Bay Street, Suite 300
Brookfield Place
Toronto, Ontario M5J 2T3

Attention: Sam Pollock/Justin Beber
Email: spollock@brookfield.com/jbeber@brookfield.com
Fax No.: 416.365.9642

with a copy to:

Torys LLP
Suite 3000, 79 Wellington Street West
Toronto-Dominion Centre
Toronto, Ontario M5K 1N2

Attention: Tony DeMarinis/Natasha De Cicco
Email: tdemarinis@torys.com/ndecicco@torys.com
Fax No.: 416.865.7380

(ii) if to the Vendors, to:

c/o Fraser Papers Inc.
181 Bay Street, Suite 200
Brookfield Place
Toronto, Ontario M5J 2T3

Attention: Glen McMillan
Email: gmcmillan@toronto.fraserpapers.com
Fax No.: 416.359.8606

with a copy to:

Thornton Grout Finnigan LLP
Suite 3200, 100 Wellington Street West
Toronto-Dominion Centre
Toronto, Ontario M5K 1K7

Attention: D.J. Miller
Email: djmiller@tgf.ca
Fax No.: 416.304.1313

with a copy to counsel for the Monitor:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Attention: Robert Chadwick
Email: rchadwick@goodmans.ca
Fax: 416.979.1234

(b) Deemed Delivery of Notice. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 4:30 p.m. (Toronto time) on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day. Any such communication sent by mail shall be deemed to have been given and made and to have been received on the fifth Business Day following the mailing thereof; provided however that no such communication shall be mailed during any actual or apprehended disruption of postal services. Any such communication given or made in any other manner shall be deemed to have been given or made and to have been received only upon actual receipt.

Section 14.8 Time of Essence.

Time shall be of the essence of this Agreement in all respects.

Section 14.9 Further Assurances.

Each of the Parties hereto shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Party hereto may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

Section 14.10 Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and both of which taken together shall be deemed to constitute one and the same instrument. To evidence its execution of an original counterpart of this Agreement, a Party may send a copy of its original signature on the execution page hereof to the other Party by facsimile transmission or other means of electronic communication and such transmission shall constitute delivery of an executed copy of this Agreement to the receiving Party.

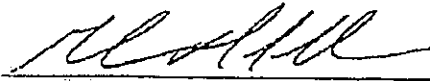
Section 14.11 Paramountcy.

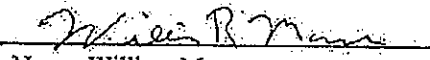
In the event of any conflict or inconsistency between the provisions of this Agreement and any other agreement, document or instrument executed or delivered in connection with the Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such inconsistency.

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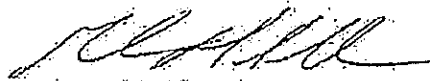
IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

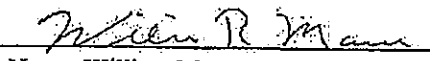
FRASER PAPERS INC.

By: 
Name: Glen McMillan
Title: Chief Restructuring Officer

By: 
Name: William Manzer
Title: Senior Vice President, Strategy
and Special Project

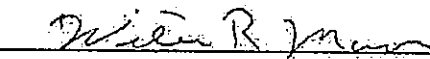
FRASER PAPERS LIMITED

By: 
Name: Glen McMillan
Title: Secretary

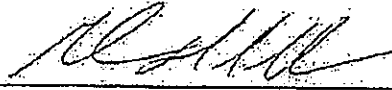
By: 
Name: William Manzer
Title: Vice President

FPS CANADA INC.

By: 
Name: Glen McMillan
Title: Secretary

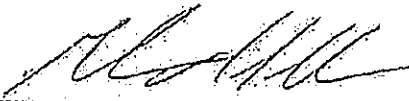
By: 
Name: William Manzer
Title: Vice President

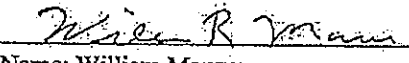
FRASER PAPERS HOLDINGS INC.

By: 
Name: Glen McMillan
Title: Secretary

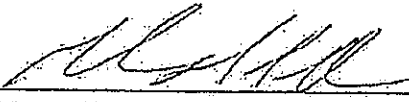
By: 
Name: William Manzer
Title: Vice President

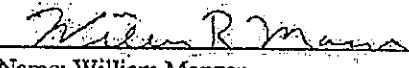
FRASER TIMBER LIMITED

By: 
Name: Glen McMillan
Title: Secretary

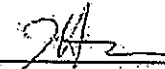
By: 
Name: William Manzer
Title: Vice President

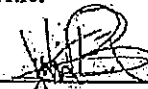
FRASER N.H. LLC

By: 
Name: Glen McMillan
Title: Secretary

By: 
Name: William Manzer
Title: Vice President

**BROOKFIELD ASSET MANAGEMENT
INC.**

By: 
Name: Jeffrey Haar
Title:

By: 
Name: Justin Beber
Title:

Schedule 3.1
Continuing Obligations

- (i) Ordinary Course trade payables and accrued payables outstanding as of the Closing Date for goods provided and services rendered following the Filing Date by Person(s) listed in Schedule 3.1(a) attached hereto in relation solely to the Purchased Companies and the Business and all accrued payroll obligations and accrued vacation pay for Continuing Employees and, to the extent that the Gorham Assets are Included Property, the Unionized Employees but excluding, for greater certainty, any and all Intercompany Receivables and Intercompany Liabilities, any and all trade payables and accrued payables to be paid by the Purchased Companies in the Ordinary Course prior to the Closing Date and any and all trade payables and accrued payables for goods provided and services rendered to the Vendors other than the Purchased Companies or to the Purchased Companies for purposes other than the Business (collectively, the "Continuing Accounts Payable");
- (ii) Liabilities arising from asset retirement obligations of FTL in respect of the Ashland Assets and the Masardis Assets that are consistent with past public disclosure and disclosure to the Plan Sponsor and the Plan Sponsor's Affiliates;
- (iii) To the extent that the Gorham Assets and the Gorham Mills are not Excluded Property, Liabilities arising from asset retirement obligations of FNHL in respect of the Gorham Assets that are consistent with past public disclosure and disclosure to the Plan Sponsor and the Plan Sponsor's Affiliates;
- (iv) unless the Vendors implement Alternative LC Arrangements on or prior to Closing, Liabilities of the Purchased Companies arising from the Workers Compensation Obligations that are consistent with past public disclosure and disclosure to the Plan Sponsor and the Plan Sponsor's Affiliates, up to a maximum aggregate amount equal to the maximum aggregate amount payable under the Brookfield Letters of Credit;
- (v) Liabilities arising from the employment of the Continuing Employees and, to the extent that the Gorham Assets and Gorham Mill constitute Included Property, the Unionized Employees from and after the Closing Date in accordance with the provisions of Section 8.1 of this Agreement; and
- (vi) Liabilities arising from the landfill maintenance obligations of Former Landfill to any Governmental Authority in respect of the landfill located in the city of Moraine, Ohio that are consistent with past public disclosure and disclosure to the Plan Sponsor and the Plan Sponsor's Affiliates.

Schedule 3.1(a)
Continuing Accounts Payable

Amounts payable to the following Persons listed hereto.

Notwithstanding anything to the contrary, Continuing Accounts Payable shall not include any amounts owing by any of the Vendors or the Purchased Companies in respect of any goods provided or services rendered, or any other transaction or event occurring, prior to the Filing Date (the "Pre-petition Payables"), and neither the Plan Sponsor nor the Purchased Companies shall under any circumstance be responsible or liable for the Pre-petition Payables.

Schedule “B” – Promissory Notes

NON-NEGOTIABLE NON-TRANSFERABLE
UNSECURED PROMISSORY NOTE

Toronto, Ontario

Principal Amount: US\$30,000,000

April 28, 2010

1. General

(a) FOR VALUE RECEIVED the undersigned, Twin Rivers Paper Company Inc., a corporation incorporated and existing under the laws of the Province of Ontario, having a head office at 27 Rice Street Edmundston, NB, E3V 1S9 (hereinafter, together with its successors and permitted assigns, referred to as the "Payor"), hereby promises to pay to Fraser Papers Inc. (together with its successors and permitted assigns, hereinafter referred to as the "Payee"), on the Maturity Date, in lawful money of the United States, the sum of Thirty Million Dollars (US\$30,000,000) (the "Principal Amount"), as adjusted pursuant to Section 3.8 of the Purchase Agreement (defined below), at its office at Toronto, Ontario, or at such other place as the Payee may designate.

(b) This Promissory Note is issued pursuant to and is subject to the provisions of the Purchase Agreement. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement. The terms and conditions of the Purchase Agreement are incorporated herein by reference with the same force and effect as if such terms and conditions were fully set forth herein.

2. Definitions

In this Promissory Note, capitalized terms used but otherwise defined herein shall have the following meanings ascribed to such terms:

"Brookfield Debt" means any debt owing to Brookfield Asset Management Inc. (or its successors) or an affiliate thereof, pursuant to the definition of "affiliate" in the *Business Corporations Act* (Ontario) as such definition exists as of the date of this Promissory Note.

"CIT Facility" means the senior secured credit facility dated as of the date hereof between the Payor, as borrower, certain subsidiaries of the Payor, as guarantors, CIT Business Credit Canada Inc. as agent and lender and the other lenders party thereto from time to time, as may be amended, restated, or otherwise modified from time to time.

"Fraser Papers" shall mean, collectively, Fraser Papers Inc. and its subsidiaries (being, on the date hereof, Fraser Papers Limited, FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited and Fraser N.H. LLC).

"Maturity Date" means April 28, 2018.

"Purchase Agreement" means the asset purchase agreement dated as of December 22, 2009 (as amended, modified or restated from time to time) between Fraser Papers, as Vendors, and Brookfield Asset Management Inc. or its designate(s), as Purchaser, as assigned to the Payor and

Twin Rivers Paper Company LLC pursuant to an assignment and assumption agreement dated as of April 28, 2010.

"Senior Indebtedness" means the principal of and the interest and premium (or any other amounts payable thereunder), if any, on:

(a) all indebtedness, liabilities and obligations of the Payor in respect of any indebtedness which is secured by liens, encumbrances or charges on any assets of the Payor, whether outstanding on the date of this Promissory Note or thereafter created, incurred, assumed or guaranteed, including, for greater certainty, all indebtedness, liabilities and obligations of the Payor under or in respect of the CIT Facility; and

(b) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations;

unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are *pari passu* with or subordinate in right of payment to this Promissory Note.

"Trustee" means a trustee appointed to hold an interest in the Principal Amount for the benefit of one or more classes or groups of creditors of Fraser Papers.

3. Intercreditor Agreement

The Payee hereby acknowledges and agrees that all rights and remedies of the Payee (including its successors and assigns) hereunder, including with respect to payment and enforcement of this Promissory Note, are subject to the Intercreditor Agreement dated April 28, 2010 between, among others, CIT Business Credit Canada Inc. and the Payee (the "Intercreditor Agreement").

4. Term

The Principal Amount shall be payable only on the Maturity Date, unless the Principal Amount is prepaid earlier in accordance with the terms and conditions of this Promissory Note and the Intercreditor Agreement. Notwithstanding the foregoing, but subject to the Intercreditor Agreement, the Principal Amount shall become due and payable in the event that the Payor institutes legal proceedings in respect of itself or substantially all of its property and assets under any federal, provincial or applicable foreign law relating to bankruptcy, insolvency, receivership, or creditor protection of insolvent persons (including the Bankruptcy and *Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada)) or any such legal proceedings are instituted by creditors of the Payor and are not withdrawn, dismissed or terminated within sixty (60) days thereof.

5. Non-Interest Bearing Promissory Note

The Principal Amount shall not bear any interest.

6. Unsecured, Subordinated Promissory Note

This Promissory Note is a direct obligation of the Payor but is not secured by any mortgage, pledge, hypothec or other charge, lien or encumbrance. This Promissory Note and all Replacement Notes (as such term is defined below) shall rank *pari passu* with all other outstanding direct, unsecured and unsubordinated present and future obligations (except as otherwise prescribed by law) of the Payor and will be payable rateably without preference or priority. The Principal Amount hereof is subordinated and postponed to the repayment in full of all Senior Indebtedness of the Payor, provided that notwithstanding the foregoing postponement, the Payor shall repay the Promissory Note on the Maturity Date provided that no default then exists or would result from such payment under any Senior Indebtedness the terms of which would prohibit such repayment if a default then exists or would result from such payment, and provided further that if such Senior Indebtedness is also Brookfield Debt, then 180 days following the Maturity Date the Payee shall be free to pursue its available remedies to enforce payment upon the Promissory Note, however the Promissory Note shall remain subordinated to all Senior Indebtedness including Brookfield Debt.

7. Voluntary Prepayment

The Payor shall have the right and the privilege, at its sole option, of prepaying in whole or in part any portion of the Principal Amount at any time or from time to time prior to the Maturity Date without premium or penalty in minimum increments of US\$1,000,000. In the event that more than one Promissory Note is outstanding as a result of any replacement Promissory Notes being issued pursuant to Section 7 or Section 13, any such voluntary prepayment shall be made in respect of all notes held by parties having claims of equal priority in respect of one another, on a *pro rata* basis. The Payee shall not have the right to require the Payor to redeem or call for the repayment of this Promissory Note at any time prior to the Maturity Date.

8. Successors and Assigns

This Promissory Note shall enure to the benefit of and shall be binding upon the Payor and the Payee and their respective successors and permitted assigns. This Promissory Note shall not be transferable or assignable by the Payee, its successors or its permitted assigns without the prior written consent of the Payor, in its sole and absolute discretion; provided however that:

(a) the Payee may transfer or assign this Promissory Note, in whole and not in part, without the consent of the Payor, to a successor (by operation of law or otherwise) of Fraser Papers; and

(b) the Payee may transfer or assign this Promissory Note, in whole or in part, without the consent of the Payor, to one or more Trustees or a nominee of such Trustee and any successor trustee or nominee thereof, holding the Promissory Note on behalf of Fraser Papers or any Persons designated by Fraser Papers or to whom an interest in the Promissory Note is to be distributed in accordance with such Orders of the Canadian Court and the Bankruptcy Court as may subsequently be made, provided that (i) the terms of any Order authorizing any such distribution shall expressly provide that such distribution, and the rights and remedies of any successor or assign of Payee, is subject to the Intercreditor Agreement, and (ii) Payor is satisfied, acting reasonably, that such transfer or assignment would not result in the Payor becoming a

reporting issuer in any province or territory of Canada (or the equivalent in any other jurisdiction).

9. Amendment

This Promissory Note may not be modified, except and only by a written instrument executed by the Payor and the Payee.

10. Non-Negotiable Instrument

This Promissory Note is not and is not intended to be a negotiable instrument.

11. Governing Law

This Promissory Note is governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

12. Submission to Jurisdiction

(a) The Payee hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the courts of the Province of Ontario, and any appellate court thereof, in any action or proceeding arising out of or relating to this Promissory Note, or enforcement of any judgment, and each of the Payor and the Payee hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in Ontario. Each of the Payor and the Payee agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable law. Nothing in this Promissory Note shall affect any right that the Payor may otherwise have to bring any action or proceeding relating to this Promissory Note against the Payee in the courts of any other jurisdiction.

(b) The Payee hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Promissory Note in any court referred to in this Section 12(b). Each of the Payor and the Payee hereby irrevocably waives, to the fullest extent permitted by applicable law, any *forum non conveniens* defence to the maintenance of such action or proceeding in any such court.

13. Waiver of Jury Trial

EACH OF THE PAYOR AND THE PAYEE HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS PROMISSORY NOTE (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH OF THE PAYOR AND THE PAYEE (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD

NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

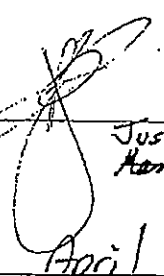
14. Replacement Notes

(a) Should it be determined pursuant to Section 3.8 of the Purchase Agreement, that the Principal Amount of the Promissory Note is to be adjusted to an amount other than \$30,000,000, the Payee shall promptly return this Promissory Note to the Payor in exchange for a promissory note in identical form in the amount of such adjusted Principal Amount.

(b) Upon receiving written notice of any assignment by the Payee of this Promissory Note made in accordance with Section 8, the Payor shall, upon request by the Payee and return of the original Promissory Note to be replaced, issue a replacement promissory note or notes in identical form to reflect such whole or partial transfer. For greater certainty, any replacement note issued in accordance with this Section shall state that the rights and remedies of the Payee thereunder are subject to the Intercreditor Agreement.

IN WITNESS WHEREOF, the undersigned hereunto sets its hand and seal as of the date first set forth above.

TWIN RIVERS PAPER COMPANY INC.

By: 

Name:

Title:

Justin Beber

*Managing Partner & General
Vice President*

Agreed to and acknowledged as of this 28 day of April, 2010.

FRASER PAPERS INC.

By: _____

Name:

Title:

[Signature Page to Promissory Note]

IN WITNESS WHEREOF, the undersigned hereunto sets its hand and seal as of the date first set forth above.

TWIN RIVERS PAPER COMPANY INC.

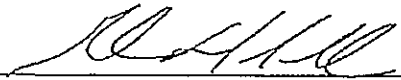
By: _____

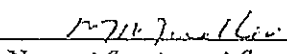
Name: _____

Title: _____

Agreed to and acknowledged as of this 28 day of April, 2010.

FRASER PAPERS INC.

By: 
Name: Glen McMillan
Title: Senior VP and CFO

By: 
Name: Marina Mueller
Title: Assistant Corporate Secretary

[Signature Page to Promissory Note]

NON-NEGOTIABLE NON-TRANSFERABLE
UNSECURED PROMISSORY NOTE

Toronto, Ontario

Principal Amount: US\$10,000,000

April 28, 2010

1. General

(a) FOR VALUE RECEIVED the undersigned, Twin Rivers Paper Company Inc., a corporation incorporated and existing under the laws of the Province of Ontario, having a head office at 27 Rice Street Edmundston, NB, E3V 1S9 (hereinafter, together with its successors and permitted assigns, referred to as the "Payor"), hereby promises to pay to Fraser Papers Inc. (together with its successors and permitted assigns, hereinafter referred to as the "Payee"), on the Maturity Date, in lawful money of the United States, the sum of Ten Million Dollars (US\$10,000,000) (the "Principal Amount"), as adjusted pursuant to Section 3.8 of the Purchase Agreement (defined below), at its office at Toronto, Ontario, or at such other place as the Payee may designate.

(b) This Promissory Note is issued pursuant to and is subject to the provisions of the Purchase Agreement. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement. The terms and conditions of the Purchase Agreement are incorporated herein by reference with the same force and effect as if such terms and conditions were fully set forth herein.

2. Definitions

In this Promissory Note, capitalized terms used but otherwise defined herein shall have the following meanings ascribed to such terms:

"Brookfield Debt" means any debt owing to Brookfield Asset Management Inc. (or its successors) or an affiliate thereof, pursuant to the definition of "affiliate" in the *Business Corporations Act* (Ontario) as such definition exists as of the date of this Promissory Note.

"CIT Facility" means the senior secured credit facility dated as of the date hereof between the Payor, as borrower, certain subsidiaries of the Payor, as guarantors, CIT Business Credit Canada Inc. as agent and lender and the other lenders party thereto from time to time, as may be amended, restated, or otherwise modified from time to time.

"Fraser Papers" shall mean, collectively, Fraser Papers Inc. and its subsidiaries (being, on the date hereof, Fraser Papers Limited, FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited and Fraser N.H. LLC).

"Maturity Date" means April 28, 2018.

"Purchase Agreement" means the asset purchase agreement dated as of December 22, 2009 (as amended, modified or restated from time to time) between Fraser Papers, as Vendors, and Brookfield Asset Management Inc. or its designate(s), as Purchaser, as assigned to the Payor and

Twin Rivers Paper Company LLC pursuant to an assignment and assumption agreement dated as of April 28, 2010.

"Senior Indebtedness" means the principal of and the interest and premium (or any other amounts payable thereunder), if any, on:

(a) all indebtedness, liabilities and obligations of the Payor in respect of any indebtedness which is secured by liens, encumbrances or charges on any assets of the Payor, whether outstanding on the date of this Promissory Note or thereafter created, incurred, assumed or guaranteed, including, for greater certainty, all indebtedness, liabilities and obligations of the Payor under or in respect of the CIT Facility; and

(b) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations;

unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are *pari passu* with or subordinate in right of payment to this Promissory Note.

"Trustee" means a trustee appointed to hold an interest in the Principal Amount for the benefit of one or more classes or groups of creditors of Fraser Papers.

3. Intercreditor Agreement

The Payee hereby acknowledges and agrees that all rights and remedies of the Payee (including its successors and assigns) hereunder, including with respect to payment and enforcement of this Promissory Note, are subject to the Intercreditor Agreement dated April 28, 2010 between, among others, CIT Business Credit Canada Inc. and the Payee (the "Intercreditor Agreement").

4. Term

The Principal Amount shall be payable only on the Maturity Date, unless the Principal Amount is prepaid earlier in accordance with the terms and conditions of this Promissory Note and the Intercreditor Agreement. Notwithstanding the foregoing, but subject to the Intercreditor Agreement, the Principal Amount shall become due and payable in the event that the Payor institutes legal proceedings in respect of itself or substantially all of its property and assets under any federal, provincial or applicable foreign law relating to bankruptcy, insolvency, receivership, or creditor protection of insolvent persons (including the Bankruptcy and Insolvency Act (Canada) and the Companies' Creditors Arrangement Act (Canada)) or any such legal proceedings are instituted by creditors of the Payor and are not withdrawn, dismissed or terminated within sixty (60) days thereof.

5. Non-Interest Bearing Promissory Note

The Principal Amount shall not bear any interest.

6. Unsecured, Subordinated Promissory Note

This Promissory Note is a direct obligation of the Payor but is not secured by any mortgage, pledge, hypothec or other charge, lien or encumbrance. This Promissory Note and all Replacement Notes (as such term is defined below) shall rank *pari passu* with all other outstanding direct, unsecured and unsubordinated present and future obligations (except as otherwise prescribed by law) of the Payor and will be payable rateably without preference or priority. The Principal Amount hereof is subordinated and postponed to the repayment in full of all Senior Indebtedness of the Payor, provided that notwithstanding the foregoing postponement, the Payor shall repay the Promissory Note on the Maturity Date provided that no default then exists or would result from such payment under any Senior Indebtedness the terms of which would prohibit such repayment if a default then exists or would result from such payment, and provided further that if such Senior Indebtedness is also Brookfield Debt, then 180 days following the Maturity Date the Payee shall be free to pursue its available remedies to enforce payment upon the Promissory Note, however the Promissory Note shall remain subordinated to all Senior Indebtedness including Brookfield Debt.

7. Voluntary Prepayment

The Payor shall have the right and the privilege, at its sole option, of prepaying in whole or in part any portion of the Principal Amount at any time or from time to time prior to the Maturity Date without premium or penalty in minimum increments of US\$1,000,000. In the event that more than one Promissory Note is outstanding as a result of any replacement Promissory Notes being issued pursuant to Section 7 or Section 13, any such voluntary prepayment shall be made in respect of all notes held by parties having claims of equal priority in respect of one another, on a *pro rata* basis. The Payee shall not have the right to require the Payor to redeem or call for the repayment of this Promissory Note at any time prior to the Maturity Date.

8. Successors and Assigns

This Promissory Note shall enure to the benefit of and shall be binding upon the Payor and the Payee and their respective successors and permitted assigns. This Promissory Note shall not be transferable or assignable by the Payee, its successors or its permitted assigns without the prior written consent of the Payor, in its sole and absolute discretion; provided however that:

(a) the Payee may transfer or assign this Promissory Note, in whole and not in part, without the consent of the Payor, to a successor (by operation of law or otherwise) of Fraser Papers; and

(b) the Payee may transfer or assign this Promissory Note, in whole or in part, without the consent of the Payor, to one or more Trustees or a nominee of such Trustee and any successor trustee or nominee thereof, holding the Promissory Note on behalf of Fraser Papers or any Persons designated by Fraser Papers or to whom an interest in the Promissory Note is to be distributed in accordance with such Orders of the Canadian Court and the Bankruptcy Court as may subsequently be made, provided that (i) the terms of any Order authorizing any such distribution shall expressly provide that such distribution, and the rights and remedies of any successor or assign of Payee, is subject to the Intercreditor Agreement; and (ii) Payor is satisfied, acting reasonably, that such transfer or assignment would not result in the Payor becoming a

reporting issuer in any province or territory of Canada (or the equivalent in any other jurisdiction).

9. Amendment

This Promissory Note may not be modified, except and only by a written instrument executed by the Payor and the Payee.

10. Non-Negotiable Instrument

This Promissory Note is not and is not intended to be a negotiable instrument.

11. Governing Law

This Promissory Note is governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

12. Submission to Jurisdiction

(a) The Payee hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the courts of the Province of Ontario, and any appellate court thereof, in any action or proceeding arising out of or relating to this Promissory Note, or enforcement of any judgment, and each of the Payor and the Payee hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in Ontario. Each of the Payor and the Payee agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable law. Nothing in this Promissory Note shall affect any right that the Payor may otherwise have to bring any action or proceeding relating to this Promissory Note against the Payee in the courts of any other jurisdiction.

(b) The Payee hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Promissory Note in any court referred to in this Section 12(b). Each of the Payor and the Payee hereby irrevocably waives, to the fullest extent permitted by applicable law, any *forum non conveniens* defence to the maintenance of such action or proceeding in any such court.

13. Waiver of Jury Trial

EACH OF THE PAYOR AND THE PAYEE HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS PROMISSORY NOTE (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH OF THE PAYOR AND THE PAYEE (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD

NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

14. Replacement Notes.

(a) Should it be determined pursuant to Section 3.8 of the Purchase Agreement, that the Principal Amount of the Promissory Note is to be adjusted to an amount other than \$10,000,000, the Payee shall promptly return this Promissory Note to the Payor in exchange for a promissory note in identical form in the amount of such adjusted Principal Amount.

(b) Upon receiving written notice of any assignment by the Payee of this Promissory Note made in accordance with Section 8, the Payor shall, upon request by the Payee and return of the original Promissory Note to be replaced, issue a replacement promissory note or notes in identical form, to reflect such whole or partial transfer. For greater certainty, any replacement note issued in accordance with this Section shall state that the rights and remedies of the Payee thereunder are subject to the Intercreditor Agreement.

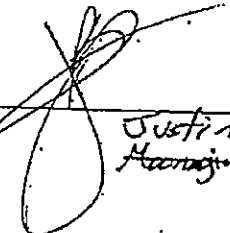
IN WITNESS WHEREOF, the undersigned hereunto sets its hand and seal as of the date first set forth above.

TWIN RIVERS PAPER COMPANY INC.

By:

Name:

Title:


Justin Babel
~~Managing Partner~~
Vice President

Agreed to and acknowledged as of this _____ day of _____, 2010.

FRASER PAPERS INC.

By: _____

Name:

Title:

[Signature Page to Promissory Note]

IN WITNESS WHEREOF, the undersigned hereunto sets its hand and seal as of the date first set forth above:

TWIN RIVERS PAPER COMPANY INC.

By: _____

Name: _____

Title: _____

Agreed to and acknowledged as of this 28 day of April, 2010.

FRASER PAPERS INC.

By: _____

Name: Glen McMillan

Title: Senior VP and CFO

By: _____

Name: Marina Mueller

Title: Assistant Corporate Secretary

[Signature Page to Promissory Note]

Schedule “C” – Share Certificate

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

NO. 1000



FRASER PAPERS INC.

This is to Certify that

is the registered holder of

2,401,960

Common Shares of

TWIN RIVERS PAPER COMPANY INC.

The class or series of shares represented by this Certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

(i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and

(ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

CERTIFICATE

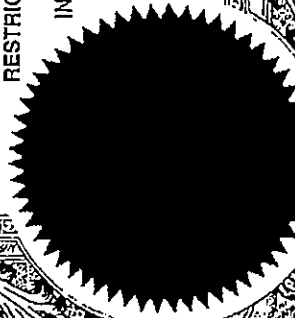
RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this certificate to be signed by its duly authorized officers

this 28th day of April 2010

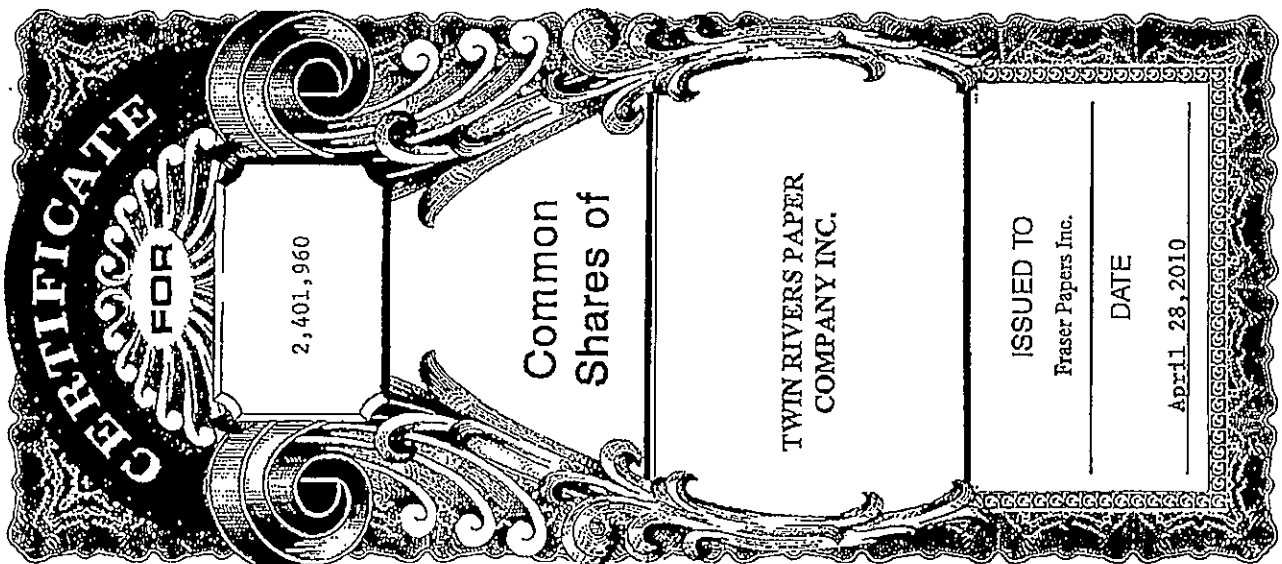
A handwritten signature in dark ink, appearing to be "A. J. [unclear]".

NO PAR VALUE



The shares represented by this certificate are subject to a unanimous shareholder agreement made as of the _____ day of _____, 2010 among the Corporation and its shareholders, as the same may be supplemented, amended, restated or replaced from time to time, and may not be pledged, sold or otherwise transferred except in accordance with the provisions thereof.

Unless permitted under securities legislation, the holder of this security must not trade the security before the date that is four months and a day after the later of (i) _____, and (ii) the date the Corporation become a reporting issuer in any province or territory.



For Value Received, _____ hereby assign and transfer unto

_____ *Common Shares*

represented by the within Certificate.

Dated _____ (year) _____

In the presence of

NOTICE: THE SIGNATURE OF THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

Schedule "B"
Monitor's First Certificate

Schedule "B"
Monitor's First Certificate

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A 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

MONITOR'S FIRST CERTIFICATE

WHEREAS pursuant to the Order of this Court dated June 18, 2009, PricewaterhouseCoopers Inc. was appointed as the monitor (the "**Monitor**") of Fraser Papers Inc./Papiers Fraser Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited and Fraser N.H. LLC (collectively, the "**Applicants**");

WHEREAS pursuant to the Supplemental Meeting Order dated February 1, 2011 supplementing the Meeting Order of this Court dated December 3, 2010, as amended by the Order (Amending Meeting Order) dated December 17, 2010, the Applicants filed the Amended Consolidated Plan of Compromise and Arrangement of the Applicants dated January 27, 2011, as amended (the "**Amended Plan**"), which Amended Plan has been approved by the Required Majority and sanctioned by this Honourable Court on February 10, 2011;

WHEREAS the Monitor has been advised by the Applicants and the Plan Sponsor that the conditions precedent set out in Section 7.01 of the Amended Plan have been satisfied or waived; and

WHEREAS all capitalized terms used but not otherwise defined in this Certificate shall have the meanings ascribed to them in the Amended Plan.

THE MONITOR HEREBY CERTIFIES that:

1. All conditions precedent set out in Section 7.01 of the Amended Plan have been satisfied or waived;
2. Upon the filing of this Monitor's First Certificate, the Plan Implementation Date shall have occurred and the Plan Implementation Date is _____, 2011; and
3. This Certificate is delivered by the Monitor on _____, 2011.

**PricewaterhouseCoopers Inc., in its capacity
as Monitor of Fraser Papers Inc./Papiers
Fraser Inc., FPS Canada Inc., Fraser Papers
Holdings Inc., Fraser Timber Limited,
Fraser Papers Limited and Fraser N.H.
LLC and not in its personal capacity**

Per: _____

Name:

Title:

Schedule "C"
Monitor's Second Certificate

Schedule "C"
Monitor's Second Certificate

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

Applicants

MONITOR'S SECOND CERTIFICATE

WHEREAS pursuant to the Order of this Court dated June 18, 2009, PricewaterhouseCoopers Inc. was appointed as the monitor (the "**Monitor**") of Fraser Papers Inc./Papiers Fraser Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited and Fraser N.H. LLC (collectively, the "**Applicants**");

WHEREAS pursuant to the Supplemental Meeting Order dated February 1, 2011 supplementing the Meeting Order of this Court dated December 3, 2010, as amended by the Order (Amending Meeting Order) dated December 17, 2010, the Applicants filed the Amended Consolidated Plan of Compromise and Arrangement of the Applicants dated January 27, 2011, as amended (the "**Amended Plan**"), which Amended Plan has been approved by the Required Majority and sanctioned by this Honourable Court on February 10, 2011; and the Plan Implementation Date has occurred;

WHEREAS pursuant to the Sanction Order, this Court approved the discharge of the Monitor, which discharge is to be effective upon the filing by the Monitor with this Court of a certificate certifying completion of the Monitor's duties contemplated in paragraph [30] of the Sanction Order; and

WHEREAS all capitalized terms used but not otherwise defined in this Certificate shall have the meanings ascribed to them in the Amended Plan.

THE MONITOR HEREBY CERTIFIES that:

1. The Final Determination Date occurred and the Final Determination Date is _____, 2011;
2. The Monitor has substantially completed the duties contemplated by paragraph [30] of the Sanction Order;
3. Upon the filing of this Monitor's Second Certificate, the Monitor's final discharge shall have become effective pursuant to the terms of the Sanction Order and the CCAA Proceedings shall be terminated; and
4. This Certificate is delivered by the Monitor on _____, 2011.

**PricewaterhouseCoopers Inc., in its capacity
as Monitor of Fraser Papers Inc./Papiers
Fraser Inc., FPS Canada Inc. and Fraser
N.H. LLC and not in its personal capacity**

Per: _____

Name:

Title:

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 (collectively, the "Applicants")

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

	ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) Proceedings commenced at Toronto SANCTION ORDER (FEBRUARY 10, 2011) Thornton Grout Finnigan LLP Barristers and Solicitors Suite 3200, P.O. Box 329 Canadian Pacific Tower Toronto-Dominion Centre Toronto, ON M5K 1K7 D.J. Miller (LSUC# 34393P) Kyla E.M. Mahar (LSUC# 44182G) Tel: 416-304-1616 Fax: 416-304-1313 Lawyers for the Applicants

TAB 4

ON READING the Motion Record of the Applicants dated February 4, 2011, the Affidavit of Glen McMillan sworn on February 4, 2011 and the Exhibits attached thereto (the “**McMillan Affidavit**”), the Eighteenth Report (the “**Eighteenth Report**”) of

PricewaterhouseCoopers Inc. (“**PwC**”), in its capacity as court-appointed monitor of the Applicants (the “**Monitor**”), and on hearing the submissions of counsel for the Applicants, counsel for the Directors of the Applicants, counsel for the Monitor, counsel for Brookfield US Corporation, as DIP Lender and Brookfield Asset Management Inc., as Plan Sponsor and as Administrative Agent for the DIP Lender, counsel for the court-appointed Committee Representing Unrepresented Employees and Former Employees (the “**Representative Counsel**”), counsel for the Superintendent of Financial Services of Ontario, counsel for Morneau Shepell Inc. (formerly Morneau Sobeco Inc.) (“**Morneau**”) as the administrator appointed by the Superintendent of Pensions for the Province of New Brunswick (the “**NB Superintendent**”) of the New Brunswick Hourly Pension Plan, New Brunswick Registration #0251264 and the New Brunswick Salaried Pension Plan, New Brunswick Registration #0251256, counsel acting as Ontario agent for the NB Superintendant, counsel for United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union (“**USW**”), counsel for Communications, Energy and Paperworkers Union of Canada (“**CEP**”), and no one appearing for any other party on the service list in these CCAA Proceedings (the “**Service List**”), including Regie des rentes du Quebec, the active members of the New Brunswick Regional Council of Carpenters, Millwrights and Allied Workers, Local 2450 and the Pension Benefit Guaranty Corporation, although all properly served as appears from the affidavit of service of ► sworn on February ►, 2011, filed:

1. **THIS COURT ORDERS** that all capitalized terms used but not defined in this Order, including in the preamble to this Order, shall have the meanings ascribed thereto in the Applicants’ Amended Consolidated Plan of Compromise and Arrangement dated January 27, 2011, as amended (the “**Amended Plan**”). Any reference in this Order to the Amended Plan

shall be deemed to be a reference to the Amended Plan, as amended. Any and all references to the Applicants, Brookfield, the Plan Sponsor, the Monitor, Representative Counsel or the Trustee (as defined herein) shall include any and all of each of their affiliates.

2. **THIS COURT ORDERS** that the time for service of the notice of motion, the Eighteenth Report and motion record in respect of this motion be and it is hereby abridged and that the motion is properly returnable today and further that the requirement for service of the notice of motion and motion record herein upon interested parties, other than those served, is hereby dispensed with and that the service of the notice of motion, the Eighteenth Report and motion record herein as effected by the Applicants is hereby validated in all respects.

3. **THIS COURT ORDERS AND DECLARES** that the Applicants and PwC, as the case may be, are hereby authorized and directed to execute and deliver (i) the form of trust agreement attached as “M” to the McMillan Affidavit, together with such alterations and amendments as the parties thereto may agree, subject to obtaining the Monitor’s consent in the case of any material alterations or amendments thereto made prior to the Plan Implementation Date (collectively, the “**Creditor Trust Agreement**”), and (ii) all agreements and other documents contemplated thereby or in furtherance thereof.

4. **THIS COURT ORDERS AND DECLARES** that the terms and conditions of the Creditor Trust Agreement (including all schedules and exhibits attached thereto) are hereby authorized, ratified and approved. All parties to the Creditor Trust Agreement are authorized and directed to take such steps as may be necessary or desirable to implement the terms set out therein, to execute and deliver such documents and agreements as may be necessary or desirable

to implement the Creditor Trust Agreement or in furtherance of this Order, and to perform their respective obligations thereunder or hereunder.

5. **THIS COURT ORDERS** that, effective upon the Plan Implementation Date, PwC is hereby appointed as the trustee of the Creditor Trust (the “**Trustee**”) to act in accordance with and perform its functions in accordance with the terms of the Creditor Trust Agreement and this Order, or any further or other Order of this Court affecting the Creditor Trust.

6. **THIS COURT ORDERS** that, effective upon the Plan Implementation Date, ►, ►, and ► are hereby confirmed as the initial members of the Creditors’ Advisory Committee (as such term is defined in the Creditor Trust Agreement) of the Creditor Trust, to act and perform their functions in accordance with the terms of the Creditor Trust Agreement and this Order, or any further or other Order of this Court affecting the Creditor Trust.

7. **THIS COURT ORDERS** that, at the time of receiving Contributions as provided in the Creditor Trust Agreement, the Trustee shall establish and record the preliminary Pro Rata Share applicable to each Creditor Trust Member, taking into account any Unresolved Claims. Upon all Unresolved Claims being finally determined, the Trustee shall amend the Beneficiary Register (as defined in the Creditor Trust Agreement) to reflect the final Pro Rata Share applicable to each Creditor Trust Member, which shall be the final percentage used for all purposes including all future distributions from the Creditor Trust.

8. **THIS COURT ORDERS AND DECLARES** that any Promissory Notes delivered to the Creditor Trust by the Applicants or at the direction of the Applicants in implementing the Amended Plan shall be expressly subject to the terms of the Intercreditor Agreement dated as of April 28, 2010 among CIT Business Credit Canada Inc., as Agent for the Lenders as defined

therein, the Applicants, Twin Rivers Paper Company Inc. and Twin Rivers Paper Company LLC and Twin Rivers Paper Company Corp.

9. **THIS COURT ORDERS** that the Trustee shall have the power:

- (i) to incur and pay from the Creditor Trust any charges or expenses that, in the opinion of the Trustee, are necessary or incidental to or proper for carrying out the purpose of the Creditor Trust Agreement or this Order;
- (ii) to reimburse others from the Creditor Trust for the payment of amounts described in (i); and
- (iii) to reimburse itself as Trustee from the Creditor Trust for reasonable fees and out-of-pocket expenses incurred by it in the course of performing its duties under the Creditor Trust Agreement and this Order, or any further or other Order of this Court affecting the Creditor Trust, including fees or other amounts paid to banks, custodians, advisors, agents or other similar persons, all in accordance with the Creditor Trust Agreement and Schedule "B" thereto.

10. **THIS COURT ORDERS AND DECLARES** that none of the Applicants, the DIP Lender or its affiliates, the Plan Sponsor, the Monitor or any other Person shall be liable or responsible for any debts, liabilities, or obligations of the Trustee in respect of the Creditor Trust.

11. **THIS COURT ORDERS** that the terms of the indemnity set out in Article 4.15 of the Creditor Trust Agreement are hereby approved and confirmed.

12. **THIS COURT ORDERS** that the Trustee shall be entitled to rely upon the Beneficiary Register, as maintained and may be emended in accordance with the terms of the Creditor Trust Agreement and this Order, for all purposes in connection with the Creditor Trust, including without limitation, all distributions and communications relating to the Creditor Trust.

13. **THIS COURT ORDERS** that, to notify the Trustee of any change in their contact information after the Plan Implementation Date, a Creditor Trust Member shall file a change of address notice substantially in the form attached to the Creditor Trust Agreement as Schedule "C" with the Trustee and such other documents and information as may reasonably be required by the Trustee to satisfactorily evidence such matters.

14. **THIS COURT ORDERS** that, in the event of a transfer or assignment of a Creditor Trust Member's beneficial interest in the Creditor Trust or the death or incapacity of a Creditor Trust Member after the Plan Implementation Date, the Creditor Trust Member or the personal representative of the Creditor Trust Member's estate, as applicable, shall file a form of transfer substantially in the form attached to the Creditor Trust Agreement as Schedule "D" with the Trustee and such other documents and information as may reasonably be required by the Trustee to satisfactorily evidence such matters.

15. **THIS COURT ORDERS** in the event that a Creditor Trust Member or the personal representative of the Creditor Trust Member's estate, as applicable fails to file the notify the Trustee in accordance with paragraphs 13 and 14 herein, as applicable, the Trustee shall be entitled to rely upon the Beneficiary Register for all purposes.

16. **THIS COURT ORDERS** that the Trustee may resign or be replaced in accordance with the provisions of Article 5 of the Creditor Trust Agreement and, upon any replacement Trustee

being appointed, shall obtain the protections of this Order in the same manner and to the same extent as the initial Trustee appointed hereby.

17. **THIS COURT ORDERS** that the Trustee, in its sole discretion, may seek advice and directions from the Ontario Superior Court of Justice or any other court of competent jurisdiction with respect to the execution of the Trustee's duties, the rights of any Creditor Trust Member, the removal or replacement of the Trustee or any other matters arising in connection with the Creditor Trust Agreement.

18. **THIS COURT ORDERS** that, in connection with any distributions to be made pursuant to the Creditor Trust Agreement:

- (a) each Creditor Trust Member 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);
- (b) the Trustee shall be authorized but is not required to take any and all actions as may be necessary or appropriate to comply with any withholding and reporting requirements; and
- (c) all amounts withheld on account of Taxes shall be treated for all purposes as having been paid to the Creditor Trust Members in respect of which such withholding was made, provided such withheld amounts are remitted to the appropriate Governmental Authority.

19. **THIS COURT ORDERS** that the Trustee shall not be responsible for the satisfaction of any liability or obligation (including any filing obligations) of any Creditor Trust Member in respect of Taxes.

20. **THIS COURT ORDERS** that the Trustee, PBGC, and the trustees of each of the NB Hourly Trust and the NB Salaried Trust may consult with one another with respect to the Property of the Trust, including, without limitation, the value and disposition of same.

21. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings or any termination of these proceedings;
 - (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”) in respect of the Applicants and any bankruptcy order issued pursuant to any such applications; and
 - (c) any assignment in bankruptcy made in respect of any of the Applicants:
- (i) the establishment of the Creditor Trust pursuant to the Creditor Trust Agreement and this Order and the transactions, trusts, and actions contemplated therein;
 - (ii) the receipt by and entitlement of the Creditor Trust to the Plan Consideration (as defined in the Creditor Trust Agreement); and
 - (iii) the provisions of this Order,

shall be binding on any trustee in bankruptcy, receiver, interim receiver or similar party that may be appointed in respect of the Applicants and shall not be void or voidable by creditors of the Applicants, nor shall it constitute nor be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

22. **THIS COURT ORDERS** that PwC in its capacity as the Monitor is hereby authorized, empowered and directed to carry out the activities, functions and responsibilities set out in the Amended Plan and the Order of this Honourable Court dated February 10, 2011 (the “**Sanction Order**”) and, in addition to the rights and protections afforded PwC in its capacity as the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability as a result of its carrying out of the provisions of the Amended Plan or this Order, except for any gross negligence or willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

23. **THIS COURT ORDERS** that all Persons shall co-operate fully with the Applicants, the Trustee and the Monitor and do all such things that are necessary or desirable for the purpose of giving effect to and in furtherance of this Order, creating the Creditor Trust and in implementing the Creditor Trust Agreement.

24. **THIS COURT ORDERS AND DECLARES** that, pursuant to section 142 of the *Courts of Justice Act* (Ontario), no person shall be liable for any act done in good faith in accordance with any Order issued in this proceeding, and any person who takes any action whatsoever in

reliance on this Order prior to the commencement of any appeal hereof or the expiry of any appeal period shall not be prejudiced or harmed in any manner by any such subsequent appeal.

25. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in the United States or elsewhere to give effect to this Order and to assist the Applicants, the Trustee, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants, the Trustee and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants, the Trustee and the Monitor and their respective agents in carrying out the terms of this Order.

26. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced at **Toronto**

ORDER
(CREDITOR TRUST)
(FEBRUARY 10, 2011)

Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, ON M5K 1K7

D.J. Miller (LSUC# 34393P)
Kyla E.M. Mahar (LSUC# 44182G)

Tel: 416-304-1616
Fax: 416-304-1313
Lawyers for the Applicants

TAB 5

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

ON READING the Motion Record of the Applicants dated February 4, 2011, the Affidavit of Glen McMillan sworn on February 4, 2011 and the Exhibits attached thereto, the Eighteenth Report (the “**Eighteenth Report**”) of PricewaterhouseCoopers Inc., in its capacity as court-appointed monitor of the Applicants (the “**Monitor**”), and on hearing the submissions of counsel for the Applicants, counsel for the officers and directors of the Applicants, counsel for the Monitor, counsel for Brookfield, the Plan Sponsor and the DIP Lender, counsel for the court-appointed Committee Representing Unrepresented Employees and Former Employees, counsel for the Superintendent of Financial Services of Ontario, counsel for Morneau Shepell Inc. (formerly Morneau Sobeco Inc.) as the administrator appointed by the Superintendent of Pensions for the Province of New Brunswick (the “**NB Superintendant**”) of the New Brunswick Hourly Pension Plan, New Brunswick Registration #0251264 and the New Brunswick Salaried Pension Plan, New Brunswick Registration #0251256, counsel acting as Ontario agent for the NB Superintendant, counsel for United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union, counsel for Communications, Energy and Paperworkers Union of Canada, and no one appearing for any other person on the service list in the CCAA Proceedings (the “**Service List**”), including Regie des rentes du Quebec, the active members of the New Brunswick Regional Council of Carpenters, Millwrights and Allied Workers, Local 2450 and the Pension Benefit Guaranty Corporation (“**PBGC**”), although all properly served as appears from the affidavit of service of ■ sworn on February ■, 2011, filed, and upon being advised that all persons received notice of this hearing in accordance with the Order of this Court dated February 1, 2011 (the “**Supplemental Meeting Order**”), supplementing the Order of this Court dated December 3, 2010, as amended by the Order of this

Court dated December 17, 2010 and that no person has filed a Notice of Appearance in accordance with paragraph 20 of the Supplemental Meeting Order:

1. **THIS COURT ORDERS** that all capitalized terms used but not defined in this Order shall have the meanings ascribed thereto in the Transaction Agreement. Any reference in this Order to the Transaction Agreement shall be deemed to be a reference to the Transaction Agreement as amended. In paragraphs 5 and 10 of this Order, any and all references to: (a) the Plan Sponsor and the Plan Sponsor's Affiliates shall include any assignee or transferee thereof; and (b) the Applicants shall include their respective affiliates.

2. **THIS COURT ORDERS** that the time for service of the notice of motion, the motion record in respect of this motion and the Eighteenth Report be and it is hereby abridged and that the motion is properly returnable today and further that the requirement for service of the notice of motion and motion record herein upon interested parties, other than those served, is hereby dispensed with and that the service of the notice of motion, the Eighteenth Report and motion record herein as effected by the Applicants is hereby validated in all respects.

3. **THIS COURT ORDERS AND DECLARES** that the Transaction Agreement and all of its terms and conditions (including all schedules and exhibits attached thereto), the administration agreement regarding the contingent reimbursement obligations under Section 4.3 of the Transaction Agreement (the "**LC Administration Agreement**") and the Transaction are hereby fully and finally approved. The execution, delivery and performance of: (a) the Transaction Agreement (with such alterations and amendments as the parties thereto may agree, subject to obtaining Monitor consent in the case of any material alterations or amendments made prior to the Closing of the Transaction); (b) the LC Administration Agreement (with such alterations and amendments as the parties thereto may agree, subject to obtaining Monitor

consent in the case of any material alterations or amendments made prior to the Closing of the Transaction); (c) all agreements and other documents contemplated thereby or in furtherance thereof (the “**Related Documents**”), and each other Ancillary Agreement; and (d) the Transaction by each of the Applicants, PBGC and the trustees of the Trusts (as defined in the Amended Consolidated Plan of Compromise and Arrangement dated January 27, 2011, as amended (the “**Amended Plan**”), as the case may be, is hereby authorized, ratified and approved.

4. **THIS COURT ORDERS AND DECLARES** that the performance by each of the Applicants of its obligations under the Transaction Agreement is hereby ratified, approved and confirmed and the Applicants, PBGC and the trustees of the Trusts, as the case may be, are hereby authorized and directed to execute and deliver all documents and agreements referred to in or contemplated by paragraph 3 of this Order and to take such additional actions and execute and deliver such bills of sale, assignments, ancillary agreements, directions, consents, certificates, licenses, acknowledgments and other documents and assurances as may be necessary or desirable for the completion of the Transaction, including, without limitation, for the conveyance of the FPHI Shares to the Plan Sponsor and for the conveyance and transfer of the Included Property to such Purchased Companies as the Plan Sponsor may direct, or in furtherance of this Order and the performance of their obligations thereunder.

5. **THIS COURT ORDERS AND DECLARES** that, to the extent permitted by law, neither the Plan Sponsor nor any of the Plan Sponsor’s Affiliates shall assume or be deemed to assume any liabilities or obligations whatsoever of the Purchased Companies or the Applicants including, without limitation, any and all liabilities and obligations in respect of, in connection with or in relation to: (a) any and all termination, severance or related amounts which any current

or former employee of the Applicants could at any time assert against the Applicants; (b) any and all former, current or future employees of the Applicants (other than the Continuing Employees who become employees of the Purchased Companies on the Closing Date as provided for in the Transaction Agreement).

6. **THIS COURT ORDERS AND DECLARES** that, further to the Sanction Order of this Honourable Court dated the date hereof, none of the Purchased Companies shall be or be deemed to be liable for any liabilities or obligations whatsoever other than the Continuing Obligations.

7. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor's certificate to the Plan Sponsor substantially in the form attached as Schedule "A" hereto (the "**Monitor's Certificate**"), all of: (i) the Applicants' right, title, benefit, and interest in and to the FPHI Shares shall vest absolutely in the Plan Sponsor; (ii) the Applicants' (other than the Purchased Companies) right, title, benefit, and interest in the Included Property including, without limitation, the Included Property listed in Schedule "B" attached hereto, but excluding the Excluded Property, shall vest absolutely in the Purchased Companies, in each case, free and clear of and from any and all right, title, interest, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, pledges, options, warrants, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, other financial, proprietary or monetary claims, adverse claims, or rights of use, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured, legal, equitable, possessory or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) the Charges (as defined in the initial order of the Honourable Justice Mr. Justice Morawetz dated June 18, 2009, as amended); (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other

personal property registry system pursuant to equivalent legislation in any other jurisdictions which may be applicable; (iii) Claims from employees individually or under successor employer provisions of federal, state and provincial legislation; (iv) Claims in respect of the Terminated Pension Plans (as defined in the Amended Plan); (v) those Claims listed on Schedule "C" attached hereto; and (vi) solely in the case of the Included Property, those Claims in respect of the Lands listed on Schedule "D" attached hereto (all of the above set out in subparagraphs (i) - (vi), inclusive, are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, easements and restrictive covenants solely in respect of the Included Property listed on Schedule "E" attached hereto (the "**Permitted Encumbrances**")), and, for greater certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the FPHI Shares and the Included Property are hereby released, extinguished, expunged and discharged as against the FPHI Shares and the Included Property (except, solely in respect of the Included Property, the Permitted Encumbrances). Counsel for the Plan Sponsor and any agents appointed by such counsel may, immediately following the Closing of the Transaction, proceed with the discharge of such Claims and Encumbrances including, without limitation, the electronic discharge or the electronic continuance of and subsequent discharge of any financing statements, UCC registrations, mortgages or other registrations in respect thereof.

8. **THIS COURT ORDERS** that upon the registration in the applicable land registry office of an application for registration of vesting order in the applicable prescribed form, the applicable land registrar or equivalent official is hereby directed to delete and expunge from title to the Lands any and all Claims and Encumbrances in respect of the Lands, including, without limitation, the Claims and Encumbrances listed in Schedule "D" attached hereto, but excluding the Permitted Encumbrances in respect of the Lands set out in Schedule "E" attached hereto.

9. **THIS COURT ORDERS** that, notwithstanding paragraph 7 of this Order, the net proceeds from the sale of the FPHI Shares and the Included Property (the “**Proceeds**”) shall stand in the place and stead of the FPHI Shares and the Included Property and that from and after the delivery of the Monitor’s Certificate, all Claims and Encumbrances shall attach to the Proceeds with the same priority as they had with respect to the FPHI Shares and the Included Property immediately prior to the Closing, as if the FPHI Shares and Included Property had not been sold and/or vested and remained in the possession or control of the person having that possession or control immediately prior to the sale and/or vesting.

10. **THIS COURT ORDERS** that the Applicants shall not revoke, disclaim, terminate or resiliate, in or pursuant to these proceedings or otherwise, any of the Transaction Agreement, the LC Administration Agreement, the Ancillary Agreements, the Related Documents and any and all other agreements and documents delivered to or for the benefit of the Plan Sponsor or the Plan Sponsor’s Affiliates in connection with the Transaction Agreement or the Transaction.

11. **THIS COURT ORDERS AND DIRECTS** that the Monitor file with the Court a copy of the Monitor’s Certificate, forthwith after delivery thereof.

12. **THIS COURT ORDERS** that the Applicants are hereby directed to immediately pay the net cash Proceeds payable to the Applicants on Closing to the DIP Lender, up to the amounts outstanding under the Brookfield DIP Facility at such time including, for greater certainty, the Brookfield LC Amount.

13. **THIS COURT ORDERS** that, upon completion of the Transaction and the Closing thereof, the Monitor, on behalf of the Applicants (other than the Purchased Companies) shall hold the Balance of the Cash Component payable under the Transaction Agreement, if any, in

trust for the benefit of the Applicants (other than the Purchased Companies) and is authorized and directed to forthwith distribute it in accordance with the terms of the Amended Plan.

14. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicants and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of any of the Applicants:
 - (i) the Transaction Agreement, the LC Administration Agreement, the Ancillary Agreements, the Related Documents and the transactions and actions contemplated therein;
 - (ii) the entering into of the Transaction Agreement, the LC Administration Agreement, the Ancillary Agreements and the Related Documents by any of the Applicants;
 - (iii) the vesting of title in the FPHI Shares in the Plan Sponsor free and clear of all Claims and Encumbrances;
 - (iv) the vesting of title of the Included Property in the Purchased Companies free and clear of all Claims and Encumbrances, except the Permitted Encumbrances;
 - (v) the distribution of the Proceeds as provided in this Order; and
 - (vi) the provisions of this Order,

shall be binding on any trustee in bankruptcy, receiver, interim receiver or similar party that may be appointed in respect of the Applicants and shall not be void or voidable by creditors of the Applicants, nor shall it constitute nor be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

15. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario) and any equivalent legislation in any other applicable jurisdictions.

16. **THIS COURT ORDERS AND DECLARES** that all persons shall co-operate fully with the Applicants, the Plan Sponsor, the Plan Sponsor's Affiliates and the Monitor and do all such things that are necessary or desirable for the purpose of giving effect to and in furtherance of this Order, the Transaction Agreement, the LC Administration Agreement and the Transaction.

17. **THIS COURT ORDERS AND DECLARES** that, pursuant to section 142 of the *Courts of Justice Act* (Ontario), no person shall be liable for any act done in good faith in accordance with any Order issued in this proceeding, and any person who takes any action whatsoever in reliance on this Order prior to the commencement of any appeal hereof or the expiry of any appeal period shall not be prejudiced or harmed in any manner by any such subsequent appeal.

18. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in the United States or elsewhere to give effect to this Order and to assist the Applicants, the Monitor and their

respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

19. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

Schedule “A” – Form of Monitor’s Certificate

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

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

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

**AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT WITH RESPECT TO FRASER PAPERS INC./PAPIERS FRASER
INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER
LTD., FRASER PAPERS LIMITED and FRASER N.H. LLC (collectively, the
“Applicants”)**

MONITOR’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated June 18, 2009, PricewaterhouseCoopers Inc. was appointed as monitor (the “**Monitor**”) of the Applicants.

B. Pursuant to an Order of the Court dated February [10], 2011 (the “**Canadian Approval and Vesting Order**”), the Court approved the transaction agreement made as of November 25, 2010 between the Applicants, as vendors and plan proponents, and Brookfield Asset Management Inc. (“**Brookfield**”) and/or such other Person(s) as it may designate, namely Brookfield US Corporation, as purchaser and plan sponsor (the “**Plan Sponsor**”), as amended, modified or restated from time to time (collectively, the “**Transaction Agreement**”) and providing for, *inter alia*: (a) the vesting of the Applicants’ right, title and interest in and to the FPHI Shares (as defined in the Transaction Agreement) in the Plan Sponsor; and (b) vesting the Included Property (as defined in the Transaction Agreement) in the Purchased Companies (as defined in the Transaction Agreement), which vesting is to be effective with respect to the FPHI Shares and the Included Property upon the delivery by the Monitor to the Plan Sponsor of a certificate confirming (i) the payment by the Plan Sponsor of the Purchase Price; (ii) that the

conditions to Closing as set out in the Transaction Agreement have been satisfied or waived by the Applicants and the Plan Sponsor, as the case may be; and (iii) the Transaction as contemplated in the Transaction Agreement and the Approval and Vesting Order has been completed to the satisfaction of the Monitor.

C. Brookfield designated Brookfield US Corporation, as purchaser and the Plan Sponsor.

D. Unless otherwise indicated herein, all capitalized terms used but not otherwise defined in this certificate shall have the meanings ascribed thereto in the Transaction Agreement.

THE MONITOR CERTIFIES the following:

1. The Plan Sponsor has paid and the Applicants have received the Purchase Price payable on Closing pursuant to the Transaction Agreement;
2. The conditions to Closing as set out in the Transaction Agreement have been satisfied or waived by the Applicants and the Plan Sponsor, respectively; and
3. The Transaction has been completed in accordance with the terms of the Transaction Agreement and the Canadian Approval and Vesting Order.
4. This Certificate was delivered by the Monitor at _____ [TIME] on _____ [DATE].

PRICEWATERHOUSECOOPERS INC., in its capacity as Monitor of Fraser Papers Inc./Papiers Fraser Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited and Fraser N.H. LLC, and not in its personal or corporate capacity

Per: _____

Name:

Title:

Schedule "B" - List of Material Included Property

1. Masardis

All real property of Fraser Timber Limited f/k/a J. Paul Levesque & Sons, Inc. situated in the Town of Masardis, Aroostook County, State of Maine, described in the following deeds recorded in the Southern Aroostook County Registry of Deeds:

Grantor	Grantee	Date	Book/Page	Instrument
International Paper Company	J. Paul Levesque & Sons, Inc.	6/24/86	1900/265	QC
International Paper Company	J. Paul Levesque & Sons, Inc.	7/15/86	1911/ 290	QC
P. Jeanne Lothrop, Personal Representative of the Estate of Daniel Benton Craig	J. Paul Levesque & Sons, Inc.	9/9/88	2127/ 280	PR Deed
Fraser Papers Inc.	J. Paul Levesque & Sons, Inc.	6/27/2004	3993/232	QC w/o Cov

EXCLUDING and EXCEPTING, however, from the foregoing the following real property previously conveyed by the Company, together with all appurtenances, fixtures, equipment, rights, rights-of-way, easements, buildings, and structures appertaining thereto, as recorded in the Southern Aroostook County Registry of Deeds:

Grantor	Grantee	Date	Book/Page	Instrument
J. Paul Levesque & Sons, Inc.	Antonio Levesque & Sons Inc.	6/9/81	1546/121	QC w Cov
J. Paul Levesque & Sons, Inc.	John Beaulieu	9/1983	1692/346	WD
Fraser Timber Limited	Nadeau Logging, Inc.	04/05/06	4263/48	QC w Cov

Fraser Papers Limited	Nadeau Logging, Inc.	04/05/06	4263/50	QC w Cov
Fraser Timber Limited	Heartwood Forestland Fund V Limited Partnership	5/19/05	4124/1	QC w Cov

2. **Ashland**

All real property of Fraser Timber Limited f/k/a J. Paul Levesque & Sons, Inc. situated in the Town of Ashland, Aroostook County, State of Maine, described in the following deeds recorded in the Southern Aroostook County Registry of Deeds:

Grantor	Grantee	Date	Book/Page	Instrument
John Beaulier	J. Paul Levesque & Sons, Inc.	2/20/80	1464/103	W
John Beaulier	J. Paul Levesque & Sons, Inc.	3/25/80	1468/42	W
Inhabitants of Ashland	J. Paul Levesque & Sons, Inc.	5/27/80	1483/124	W
Peter B. Michaud	J. Paul Levesque & Sons, Inc.	10/17/80	1505/9	W
Inhabitants of Ashland	J. Paul Levesque & Sons, Inc.	10/14/80	1505/101	QC
George R. Weaver	J. Paul Levesque & Sons, Inc.	12/9/80	1511/320	W
Town of Ashland	J. Paul Levesque & Sons, Inc.	1/1/81	1517/1	QC
R.L. Fournier, Inc.	J. Paul Levesque & Sons, Inc.	12/19/83	1703/282	W

R.L. Fournier, Inc.	J. Paul Levesque & Sons, Inc.	12/20/83	1705/278	QC
Lloyd I. Weaver and Rhonda H. Weaver	J. Paul Levesque & Sons, Inc.	7/9/84	1744/196	W
Gordon P. Coty, Sr. et al.	J. Paul Levesque & Sons, Inc.	9/24/96	2950/297	W
Fraser Papers Inc.	J. Paul Levesque & Sons, Inc.	6/27/2004	3993/232	QC w/o Cov

EXCLUDING and EXCEPTING, however, from the foregoing the following real property previously conveyed by the Company, together with all appurtenances, fixtures, equipment, rights, rights-of-way, easements, buildings, and structures appertaining thereto, as recorded in the Southern Aroostook County Registry of Deeds:

Grantor	Grantee	Date	Book/Page	Instrument
J. Paul Levesque & Sons, Inc.	Daniel A. Levesque et al.	5/4/81	1530/340	WD
J. Paul Levesque & Sons, Inc.	John Beaulieu	9/1983	1692/346	WD
J. Paul Levesque & Sons, Inc.	Town of Ashland	11/25/03	3911/147	WD
Fraser Timber Limited	Kevin Robinson and Barbara Robinson	10/16/06	4361/323	WD
Fraser Timber Limited	Heartwood Forestland Fund V Limited Partnership	5/19/05	4124/1	QC w Cov

3. **Moraine**

All real property of Fraser Papers Limited (formerly known as Antonio Levesque & Sons Inc.) situated in the City of Moraine, County of Montgomery, State of Ohio, described in the following deeds recorded in the Montgomery County Registry of Deeds (the “**Ohio Lands**”):

Grantor	Grantee	Date	Book/Page	Legal Description
Fraser Papers Inc.	Antonio Levesque & Sons, Inc.	Date of Deed: 06/27/04 Date of Recording: 7/8/04	DEED-04-079135	Situate in the City of Moraine, County of Montgomery, State of Ohio, and being Lot number 4279 of the consecutive numbers of lots on the revised plat for the City of Moraine.
Fraser Papers Inc.	Antonio Levesque & Sons, Inc.	Date of Deed: 06/27/04 Date of Recording: 7/8/04	DEED-04-079135	Situate in the City of Moraine, County of Montgomery, State of Ohio, and being Lot number 4272 of the consecutive numbers of lots on the revised plat of the City of Moraine, Ohio.
Fraser Papers Inc.	Antonio Levesque & Sons, Inc.	Date of Deed: 06/27/04 Date of Recording: 7/8/04	DEED-04-079135	Situate in the City of Moraine, County of Montgomery, State of Ohio, and being Lot number 4277 of the consecutive numbers of lots on the revised plat of the City of Moraine, Ohio.
Fraser Papers Inc.	Antonio Levesque & Sons, Inc.	Date of Deed: 06/27/04 Date of Recording: 7/8/04	DEED-04-079135	Situate in the City of Moraine, County of Montgomery, State of Ohio, and being Lot number 4278 of the consecutive numbers of lots on the revised plat of the City of Moraine, Ohio.

Fraser Papers Inc.	Antonio Levesque & Sons, Inc.	Date of Deed: 06/27/04 Date of Recording: 7/8/04	DEED-04- 079135	Situate in the City of Moraine, County of Montgomery, State of Ohio, and being Lot number 4529 of the consecutive numbers of lots on the revised plat of the City of Moraine, Ohio. Save and Except from Lot numbered 4529, the following realty: Situate in Section 24, Town 3, Range 5 East, in the City of Moraine, Montgomery County, Ohio, and being part of Lot 4529 of the revised and consecutive lot numbers of the City of Moraine as conveyed to Miami Paper Corp. by instrument as recorded in microfiche 87-707A12 of the deed records of said County, and being more particularly bounded and described, per a survey performed by Lockwood, Jones and Beals, Inc. in 1995,

				with bearings based on the centerline of right of way of Soldiers Home and West Carrollton Road as recorded in Survey 90-1 of the records of said county, as follows: Beginning at a railroad spike found at the intersection of the centerlines of existing Soldiers Home and West Carrollton Rd. (northward) and existing Pinnacle Road (60.00 feet wide), said spike being the northeast corner of said Lot 4529, the northwest corner of Pt. Lt. 4276, and the True Point of Beginning: Thence with the east line of said Lot 4529 and the west line of Pt. Lt. 4276 South 3° 52' 24" East a distance of 38.14 feet to a point in the new south right of way of Pinnacle Road;

				Thence with said new south right of way line and its westward extension South 86° 23' 21" West a distance of 87.83 feet to a point in the north line of said Lot 4529, being also the centerline of existing Pinnacle Road; Thence with said north line and said centerline North 62° 52' 38" East a distance of 95.59 feet to the True Point of Beginning containing 0.038 acres (1,675 square feet), more or less, subject to all legal easements and restrictions of record.

Fraser Papers Inc.	Antonio Levesque & Sons, Inc.	Date of Deed: 06/27/04 Date of Recording: 7/8/04	DEED-04- 079135	Situate in the City of Moraine, County of Montgomery, State of Ohio, and being Lot number 4276 of the consecutive numbers of lots on the revised plat of the City of Moraine, Ohio. Save and Except from Lot numbered 4276, the following realty: Situate in section 24, Town 3, Range 5 East, in the City of Moraine, Montgomery County, Ohio, and being part of Pt. Lt. 4276 of the revised and consecutive lot numbers of the City of Moraine as conveyed to Falls Paper Co., by instrument as recorded in Microfiche 74-372D04 of the deed records of said County, and being more particularly bounded and described, per a survey performed by Lockwood, Jones and Beals,

				Inc. in 1995, with bearings based on the centerline of right of way of Soldiers Home and West Carrollton Road as recorded in Survey 90-1 of the records of said county, as follows: Beginning at a railroad spike found at the intersection of the centerlines of existing Soldiers Home and West Carrollton Road (northward) and existing Pinnacle Road, said spike being the northwest corner of said Pt. Lt. 4276 and the True Point of Beginning; Thence with the north line of said Pt. Lt. 4276 and the centerline of existing Pinnacle Road North 85° 34' 42" East a distance of 280.53 feet to a railroad spike found, being the northeast corner of said Pt. Lt. 4276; Thence with the east line of said Pt. Lt.

				4276 South 7° 38' 19" East a distance of 40.32 feet to a point in the new south right of way of line of Pinnacle Road; Thence with said new south right of way line 85° 23' 21" West a distance of 107.97 feet to a point; Thence continuing with said line South 86° 23' 21" West a distance of 175.21 feet to a point in the west line of said Pt. Lt. 4276, being the east line of Lot 4529; Thence with said lines North 3° 52' 24" West a distance of 38.14 feet to the True Point of Beginning containing 0.257 acres (11,211 square feet), more or less, subject to all legal easements and restrictions of record.

4. All property and assets of every kind and description used in the operation of the Masardis Mill and Ashland Mill, including but not limited to all of the following:
 - (a) planer mills, lines, trimmers, sorters and all equipment related thereto and necessary for the operation thereof;
 - (b) boiler systems (including refractory) and all equipment related thereto and necessary for the operation thereof;
 - (c) dry kilns and all equipment related thereto and necessary for the operation thereof; and
 - (d) saw lines and all equipment related thereto and necessary for the operation thereof.

Schedule "C" - Other Claims and Encumbrances

I. REGISTRATIONS UNDER THE UNIFORM COMMERCIAL CODE (MAINE)

Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date Renewal	Collateral Description	Comments
Fraser Timber Limited	Caterpillar Financial Services Corporation	206000181273 7/25/2006	7/25/2011	(1) Caterpillar 966GII Wheel Loader S/N ANZ00395 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof	
Fraser Papers Inc., Madawaska Mill Fraser Papers Inc.	Buckman Laboratories Inc.	2070001850188 3/29/2007	3/29/2012	Buckman owned equipment located at 82 Bridge Avenue, Madawaska, Maine, more specifically described in Equipment Inventory attached to UCC filing	
Fraser Papers Limited Fraser Papers Inc.	Buckman Laboratories Inc.	2070001851390 4/4/2007	4/4/2012	Buckman owned equipment located at 82 Bridge Avenue, Madawaska, Maine, more specifically described in Equipment Inventory attached to UCC filing	
Fraser Papers Limited	CIBA Specialty Chemicals Corporation, now known as CIBA Corporation	2080001900380 1/22/2008	1/22/2013	Inventory and products listed or referenced in or hereafter added to the Consignment Agreement dated July 1, 2007 between the parties	
Fraser Papers Limited	Brookfield Asset Management Inc.	2080001911408 4/4/2008	4/4/2013	All personal property of every kind and nature including without limitation all goods (including inventory, equipment	

				and accessions thereto), instruments (including promissory notes), documents, accounts (including health-care-insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, and all general intangibles (including all payment intangibles)	
Fraser Timber Limited	Brookfield Asset Management Inc.	2080001911411 4/4/2008	4/4/2013	All personal property of every kind and nature including without limitation all goods (including inventory, equipment and accessions thereto), instruments (including promissory notes), documents, accounts (including health-care-insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit evidenced by a writing), commercial tort claims, securities and all other	

				investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, and all general intangibles (including all payment intangibles)	
Fraser Papers Limited	NMHG Financial Services Inc.	2080001950991 12/23/2008	12/23/2013	All equipment now or hereafter leased from NMHG, including all accessions, additions, replacements, substitutions thereto and proceeds	Debtor subsequently amended to Twin Rivers Paper Company LLC (registration no. 2100002029802)
Fraser Papers Limited	Motion Industries Inc.	2090001970898 5/13/2009	5/13/2014	Maintenance, repair, operational assets, materials, parts, equipment, supplies and other tangible personal property, held for resale, use or consumption in Fraser Papers Limited's business and supplied by Motion Industries Inc. under consignment or other agreement	
Fraser Papers Limited	Town of Madawaska	2090001980897 7/20/2009	7/20/2014	Notice of Personal Property Tax Lien on personal property of Fraser Papers Limited as set out in Exhibit "A" attached to UCC filing	
Fraser Timber Limited	CIT Business Credit Canada Inc.	2090001992320 10/13/2009	10/13/2014	All the debtor's assets, whether now owned or hereafter acquired, and all proceeds thereof.	Secured party subsequently amended to CIBC Asset-Based Lending Inc. (registration no. 2100002023237)

					Registration subsequently terminated (registration no. 2100002037469)
Fraser Papers Limited	CIT Business Credit Canada Inc.	2090001992321 10/13/2009	10/13/2014	All the debtor's assets, whether now owned or hereafter acquired, and all proceeds thereof.	Secured party subsequently amended to CIBC Asset-Based Lending Inc. (registration no. 2100002023236) Registration subsequently terminated (registration no. 2100002037468)
Fraser Timber Limited	CF II-B TRS LLC c/o Huber Resources Corp.	2100002006431 2/4/2010	2/4/2015	The Products Inventory, provided on consignment to Fraser Timber Limited at its mill in Masardis, Maine, consisting of tree-length spruce and fir, spruce logs and fir stud wood, as more particularly described in the Agreement for Consignment of Logs dated as of January 1, 2010, among the parties	

Fraser Timber Limited	Huber Resources Corp.	2100002006432 2/4/2010	2/4/2015	The Products Inventory, provided on consignment to Fraser Timber Limited at its mill in Masardis, Maine, consisting of tree-length spruce and fir, spruce logs and fir stud wood, as more particularly described in the Agreement for Consignment of Logs dated as of January 1, 2010, among the parties	
Fraser Papers Limited Fraser Timber Limited	Brookfield Asset Management Inc., as administrative agent and collateral agent	2100002030120 7/12/2010	7/12/2015	All personal property of the debtor, whether now owned or hereafter acquired	
Fraser Timber Limited	Town of Ashland	2100002037623 9/13/2010	9/13/2015	Notice of Personal Property Tax Lien on personal property of Fraser Timber Limited listed in Exhibit "A" attached to UCC filing	
Fraser Papers Inc.	Fraser Papers Inc.	2100002041619 10/14/2010	10/14/2015	All personal property located on site of mill in Masardis, Maine	
Fraser Timber Limited	United Rentals (North America), Inc.	2100002050168 12/21/2010	12/21/2015	Fraser Timber Limited grants to United Rentals (North America), Inc. a security interest in the Equipment described as: Customer #: 1086450, Equipment #: 939301, Qty: 1, Invoice/Seq#: 91325929-001, Make: HEAT WAG, Model: VF400, Description:	

				HEATER 400,000 BTU, KEROSENE* and the proceeds of the Equipment to secure the prompt payment and performance of Fraser Timber Limited's purchase price and other obligations.	
Fraser Timber Limited	United Rentals (North America), Inc.	2100002050170 12/21/2010	12/21/2015	Fraser Timber Limited grants to United Rentals (North America), Inc. a security interest in the Equipment described as: Customer #: 1086450, Equipment #: 939295, Qty: 1, Invoice/Seq#: 91325929-001, Make: HEAT WAG, Model: VF400, Description: HEATER 400,000 BTU, KEROSENE* and the proceeds of the Equipment to secure the prompt payment and performance of Fraser Timber Limited's purchase price and other obligations.	
Fraser Timber Limited	United Rentals (North America), Inc.	2100002050178 12/21/2010	12/21/2015	Fraser Timber Limited grants to United Rentals (North America), Inc. a security interest in the Equipment described as: Customer #: 1086450, Equipment #: 664537, Qty: 1, Invoice/Seq#: 91325929-001, Make: HEAT WAG, Model: VF400 W/TANK, Description: HEATER 400,000	

				BTU, KEROSENE* and the proceeds of the Equipment to secure the prompt payment and performance of Fraser Timber Limited's purchase price and other obligations.	

II. REGISTRATIONS UNDER THE UNIFORM COMMERCIAL CODE (DELAWARE)

Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date Renewal	Collateral Description	Comments
Fraser Papers Holdings Inc.	Brookfield Asset Management Inc.	81194057 4/4/2008	4/4/2013	All personal property of every kind and nature including without limitation all goods (including inventory, equipment and accessions thereto), instruments (including promissory notes), documents, accounts (including health-care-insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, and all general intangibles (including all payment intangibles)	
Fraser Paper Holding Inc.	ITW Shippers Products	90501491 2/16/2009	2/16/2014	All dunnage airbags located at Hebert Bros. Trucking, RR2 Box 104, Madawaska, Maine, from time to time	
Fraser Papers Holdings Inc.	CIT Business Credit Canada Inc.	93255756 10/9/2009	10/9/2009	All the debtor's assets, whether now owned or hereafter acquired, and all proceeds thereof	Secured party subsequently amended to CIBC Asset-Based Lending Inc.

					(registration no. 01861859)
					Registration subsequently terminated (registration no. 03162389)
Fraser Papers Holdings Inc.	Buckman Laboratories Inc.	01152309 4/5/2010	4/5/2015	Buckman owned equipment located at 72 Cascade Flats, Gorham, New Hampshire, more specifically described in Equipment Inventory attached to UCC filing	
Fraser N.H. LLC Fraser Papers Holdings Inc.	Brookfield Asset Management Inc. as administrative agent and collateral agent	02406274 7/12/2010	7/12/2015	All personal property of the debtor, whether now owned or hereafter acquired	

III. REGISTRATIONS UNDER THE UNIFORM COMMERCIAL CODE (DISTRICT OF COLUMBIA)

Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date Renewal	Collateral Description	Comments
Fraser Papers Inc.	Buckman Laboratories Inc.	2006091226 7/10/2006	7/10/2011	Buckman owned equipment located at 72 Cascade Flats, Gorham, New Hampshire, more specifically described in Equipment Inventory attached to UCC filing	
Fraser Papers Inc./Papiers Fraser Inc.	CIT Business Credit Canada Inc.	2009112563 10/14/2009	10/14/2014	All debtor's assets, whether now owned or hereafter acquired, and all proceeds thereof	Secured party subsequently amended to CIBC Asset-Based Lending Inc. (registration no. 2010049532) Registration subsequently terminated (registration no. 2010061680)
Fraser Papers Inc./Papiers Fraser Inc. FPS Canada Inc.	Brookfield Asset Management Inc. as administrative agent and collateral agent	2010061680 7/13/2010	7/13/2015	All personal property of the debtor, whether now owned or hereafter acquired	

IV. REGISTRATIONS UNDER THE PERSONAL PROPERTY REGISTRY (NEW BRUNSWICK)

Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date Renewal	Collateral Description	Comments
Fraser Papers Inc. Papiers Fraser Inc. Fraser Papers Inc./Papiers Fraser Inc. Papiers Fraser Inc./Fraser Papers Inc.	Brookfield Asset Management Inc.	16015851 04/04/2008	04/04/2013	All of the Debtors' present and after acquired personal property	
FPS Canada Inc.	Brookfield Asset Management Inc.	16015984 04/04/2008	04/04/2013	All of the Debtors' present and after acquired personal property	
Fraser Papers Inc. Papiers Fraser Inc. Fraser Papers Inc./Papiers Fraser Inc. Papiers Fraser Inc./Fraser Papers Inc. Fraser Papers Limited FPS Canada Inc. Fraser Papers Holdings Inc. Fraser Timber Limited Fraser N.H. LLC	Brookfield Asset Management Inc., as administrative agent and collateral agent	19002518 07/09/2010	07/09/2015	All of the Debtors' present and after acquired personal property	

V. REGISTRATIONS UNDER THE PERSONAL PROPERTY SECURITY ACT (ONTARIO)

Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date Renewal	Collateral Description	Comments
Fraser Papers Inc. Papiers Fraser Inc. Fraser Papers Inc./Papiers Fraser Inc. Papiers Fraser Inc./Fraser Papers Inc.	Brookfield Asset Management Inc.	20080404 1201 1862 8304 04/04/2008	04/04/2013	Inventory, equipment, accounts, other and motor vehicle included	
FPS Canada Inc.	Brookfield Asset Management Inc.	20080404 1201 1862 8305 04/04/2008	04/04/2013	Inventory, equipment, accounts, other and motor vehicle included	
Fraser Papers Holdings Inc.	Brookfield Asset Management Inc.	20080404 1201 1862 8306 04/04/2008	04/04/2013	Inventory, equipment, accounts, other and motor vehicle included	
Fraser Timber Limited	Brookfield Asset Management Inc.	20080404 1201 1862 8307 04/04/2008	04/04/2013	Inventory, equipment, accounts, other and motor vehicle included	
Fraser Papers Limited	Brookfield Asset Management Inc.	20080404 1201 1862 8308 04/04/2008	04/04/2013	Inventory, equipment, accounts, other and motor vehicle included	
Fraser N.H. LLC	Brookfield Asset Management Inc.	20080404 1203 1862 8309 04/04/2008	04/04/2013	Inventory, equipment, accounts, other and motor vehicle included	
Fraser Papers Inc. Papiers Fraser Inc. Fraser Papers	Brookfield Asset Management Inc., as agent	20100709 1947 1531 2540 07/09/2010	07/09/2015	Inventory, equipment, accounts, other and motor vehicle	

Inc./Papiers Fraser Inc.				included	
Papiers Fraser Inc./Fraser Papers Inc.					
Fraser Papers Limited					
FPS Canada Inc.					
Fraser Papers Holdings Inc.					
Fraser Timber Limited					
Fraser N.H. LLC					

VI. REGISTRATIONS UNDER THE REGISTER OF PERSONAL AND MOVABLE REAL RIGHTS (QUEBEC)

Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date Renewal	Collateral Description	Comments
Fraser Papers Inc. Papiers Fraser Inc.	Brookfield Asset Management Inc.	08-0644185-0001 07/11/2008	07/11/2018	The universality of all property of the Grantor	
Fraser Papers Inc./Papiers Fraser Inc.	Brookfield Asset Management Inc.	08-0420056-0002 07/18/2008	07/18/2018	The universality of all property of the Grantor	

Schedule "D" - Claims and Encumbrances re: Lands

1. Right of First Refusal from Fraser Timber Limited to Kevin M. Robinson and Barbara M. Robinson dated October 30, 2006 and recorded in said Registry of Deeds in Book 4361, Page 325.
2. Mortgage Deed, Security Agreement and Financing Statement from Fraser Timber Limited to Brookfield Asset Management Inc. dated June 19, 2008 and recorded in said Registry of Deeds in Book 4593, Page 214; as affected by the First Amendment to Mortgage Deed, Security Agreement and Financing Statement dated November 3, 2008 and recorded in said Registry of Deeds in Book 4648, Page 345.
3. Tax Lien Certificates in favor of the Town of Ashland assessed against J. Paul Levesque & Sons, Inc. recorded in said Registry of Deeds on June 2, 2010 in:
 - a) Book 4828, Page 262 in an amount of \$52,171.74; and
 - b) Book 4828, Page 263 in an amount of \$720.69; and
 - c) Book 4828, Page 264 in an amount of \$282.24.
4. Tax Lien Certificates in favor of the Town of Masardis assessed against Fraser Papers Inc. and Fraser Papers recorded in said Registry of Deeds on October 21, 2010 in:
 - a) Book 4876, Page 259 in an amount of \$68.29; and
 - b) Book 4876, Page 260 in an amount of \$909.01; and
 - c) Book 4876, Page 261 in an amount of \$33.38; and
 - d) Book 4876, Page 262 in an amount of \$39.71; and
 - e) Book 4876, Page 263 in an amount of \$34.00; and
 - f) Book 4876, Page 264 in an amount of \$67.89; and
 - g) Book 4876, Page 265 in an amount of \$49.15.
5. Any and all Claims whatsoever relating to, in connection with or in respect of the Ohio Lands, except the Liabilities arising from the landfill maintenance obligations of Former Landfill LLC to any Governmental Authority in respect of the Ohio Lands in accordance with and subject to the terms of the Transaction Agreement.

Schedule "E" - Permitted Encumbrances re: Included Property

1. Rights and easements granted to Maine Public Service Company and New England Telephone Company as set forth in the Easement Deed dated May 15, 1980 and recorded in said Registry of Deeds in Book 1477, Page 223.
2. Rights and easements granted to Maine Public Service Co. dated May 15, 1980 and recorded in said Registry of Deeds in Book 1477, Page 224.
3. Rights and easements granted to Maine Public Service Company by deed dated October 7, 1985 and recorded in said Registry of Deeds in Book 1843, Page 101.
4. Department of Environmental Protection Orders – dated August 14, 1990 and recorded in said Registry of Deeds in Book 2306, Page 135 and dated September 19, 1991 and recorded in said Registry of Deeds in Book 2399, Page 146.
5. Department of Environmental Protection Order dated September 13, 1999 and recorded in said Registry of Deeds in Book 3329, Page 34.
6. Department of Environmental Protection Order dated September 13, 2002 and recorded in said Registry of Deeds in Book 3715, Page 277.
7. Rights and easements granted to the Town of Ashland by deeds dated November 25, 2003 in said Registry of Deeds in Book 3911, Pages 149 and 152.
8. Rights and easements granted to the Town of Masardis by deed dated November 25, 2003 and recorded in said Registry of Deeds in Book 3911, Page 154.
9. Rights and easements granted by Fraser Timber Limited to Katahdin Timberlands LLC as described in the deed dated March 18, 2005 and recorded in said Registry of Deeds in Book 4097, Page 260.
10. Rights and easements granted by Fraser Timber Limited to Gerald E. Dunham, et al as described in the deed dated May 19, 2005 and recorded in said Registry of Deeds in Book 4123, Page 26.
11. Department of Environmental Protection Orders- dated November 10, 2004 and recorded in said Registry of Deeds in Book 4057, Page 83 and dated August 8, 2005 and recorded in Book 4171, Page 271.
12. All other easements and rights-of-way of record previously conveyed by Fraser Timber Limited or its predecessors in interest or reserved or excepted in conveyances to Fraser Timber Limited or its predecessors in interest that continue in effect as of the date hereof.

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 (collectively, the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

APPROVAL AND VESTING ORDER
(FEBRUARY 10, 2011)

Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, ON M5K 1K7

D.J. Miller (LSUC# 34393P)
Kyla E.M. Mahar (LSUC# 44182G)

Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants

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

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

<i>ONTARIO</i> SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) Proceedings commenced at Toronto	MOTION RECORD (Sanction Order, Trust Order, Approval and Vesting Order) (returnable on February 10, 2011)
	ThorntonGroutFinnigan LLP Barristers and Solicitors Suite 3200, P.O. Box 329 Canadian Pacific Tower Toronto-Dominion Centre Toronto, ON M5K 1K7 D.J. Miller (LSUC# 34393P) Kyla E.M. Mahar (LSUC# 44182G) Tel: 416-304-1616 Fax: 416-304-1313 Lawyers for the Applicants