

**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. AND FPS**  
CANADA INC. (THE "APPLICANTS")

Applicants

**MOTION RECORD**  
**(Supplemental Vesting Order)**  
**(returnable on March 18, 2011)**

March 8, 2011

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# Tab 1

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

**ONTARIO  
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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. AND FPS CANADA INC.**

Applicants

**NOTICE OF MOTION  
(Supplemental Vesting Order)**

The Applicants will make a motion before a Judge of the Ontario Superior Court of Justice (Commercial List) at an appointment in Chambers, in the event the motion is unopposed, on March 18, 2011 at 9:30 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, *nunc pro tunc* to the date of the Approval and Vesting Order (as defined below) being April 6, 2010, (i) vesting in Twin Rivers Paper Company Inc. (the "**Canadian Purchaser**") all of the Vendors' (as defined in the Purchase Agreement defined below) right, title and interest in and to certain real property located in the Province of New

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Brunswick (the “**Additional New Brunswick Real Property**”) free and clear of and from all liens, charges and encumbrances (save and except the permitted encumbrances in respect of the Additional New Brunswick Real Property set out in Schedule “C” to the Supplemental Vesting Order (as defined below)) and (ii) releasing, extinguishing, expunging and discharging the Additional Claims and Encumbrances as against, and recognizing the Additional Permitted Encumbrances (as such terms are defined below) in respect of, the New Brunswick Real Property, in the form attached at Tab 3 of the Applicants’ Motion Record (the “**Supplemental Vesting Order**”); and

2. 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 meaning ascribed to them in the asset purchase agreement dated as of December 22, 2009, as amended, between the Applicants and certain of their affiliates, as vendors, and Brookfield Asset Management Inc. and/or such other persons as it may designate, namely the Canadian Purchaser, as the purchaser of the Purchased Assets located in Canada, and Twin Rivers Paper Company LLC, as the purchaser of the Purchased Assets located in the United States (the “**Purchase Agreement**”) and the Order of the Honourable Madam Justice Pepall dated April 6, 2010 (the “**Approval and Vesting Order**”), as applicable;
2. pursuant to the Order of the Honourable Mr. Justice Morawetz dated June 18, 2009, as amended (the “**Initial Order**”), the Applicants and certain of their former affiliates 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 and certain of their former affiliates 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. on December 10, 2009, an Order was issued by this Honourable Court approving the use of the Purchase Agreement as a stalking horse bid in a sales process to be undertaken for the Applicants’ and certain of their former affiliates’ specialty papers business;
5. pursuant to the Approval and Vesting Order, the transaction contemplated by the Purchase Agreement was approved and all of the Vendors’ right, title, benefit and interest in and to the New Brunswick Real Property vested absolutely in the Canadian Purchaser, free and clear of and from any and all Claims, save and except for the Permitted Encumbrances, both as set out in the schedules attached to the Approval and Vesting Order;
6. the Approval and Vesting Order provides that the Canadian Purchaser may seek further Order of this Honourable Court in the form of a supplemental vesting order: (i) directing that the Canadian Purchaser be entered as the owner of any additional New Brunswick Real Property in fee simple; (ii) supplementing the New Brunswick Real Property identified and described in the schedules attached to the Approval and Vesting Order; (iii) directing that any additional Claims or Encumbrances as against the New Brunswick Real Property that are disclosed to or come to the Canadian Purchaser’s attention within the six (6) month period following the date of the Approval and Vesting Order be deleted

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and expunged; and (iv) supplementing the permitted encumbrances, easements and restrictive covenants affected or relating to the New Brunswick Real Property as set out in the schedules attached to the Approval and Vesting Order;

7. in and around August 2010, the Applicants were advised by the Canadian Purchaser that the Additional New Brunswick Real Property had not been included in the schedules attached to the Approval and Vesting Order setting out the New Brunswick Real Property which was vested in the Canadian Purchaser;
8. at that time the Canadian Purchaser also advised the Applicants and certain of their former affiliates that additional Claims and Encumbrances (the “**Additional Claims and Encumbrances**”) and additional Permitted Encumbrances (the “**Additional Permitted Encumbrances**”) in respect of the New Brunswick Real Property had not been included in the schedules attached to the Approval and Vesting Order;
9. the Applicants seek the Supplemental Vesting Order, *nunc pro tunc* to the date of the Approval and Vesting Order being April 6, 2010 which contemplated that the Canadian Purchaser could seek the Supplemental Vesting Order to address issues in respect of title to the New Brunswick Real Property, including the Additional Claims and Encumbrances and the Additional Permitted Encumbrances, and the Additional New Brunswick Real Property;
10. the Monitor supports the relief sought by the Applicants;
11. Rules 16 and 37 of the *Rules of Civil Procedure*, R.R.O. 1994, Reg. 194, as amended;  
and

12. 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 March 8, 2011;
2. the Affidavit of Kyla E.M. Mahar sworn March 15, 2011; and
3. such further and other materials as counsel may advise and this Honourable Court may permit.

March 8, 2011

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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. AND FPS CANADA INC (collectively, the "Applicants")

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

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

Proceedings commenced at **Toronto**

**NOTICE OF MOTION**  
(Supplemental Vesting Order)

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Lawyers for the Applicants

## Tab 2

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. AND FPS  
CANADA INC.**

Applicants

**AFFIDAVIT OF GLEN McMILLAN  
(Sworn on March 8, 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 FPS Canada Inc. (“**FPS Canada**”) and was previously the Secretary for Fraser Papers Holdings Inc., Fraser Papers Limited, Fraser Timber Limited and Fraser N.H. LLC, former applicants in these proceedings, 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. Pursuant to the Order of the Honourable Madam Justice Pepall dated February 10, 2011 (the “**Sanction Order**”), the amended plan of arrangement filed by the Applicants and Fraser Papers’ U.S. subsidiaries, namely, Fraser Papers Holdings Inc., Fraser Papers Limited, Fraser Timber Limited and Fraser N.H. LLC, which was approved by their creditors was sanctioned by this Honourable Court and the CCAA proceedings were terminated in respect of the U.S. subsidiaries of Fraser Papers. From and after the date of the Sanction Order, the only remaining Applicants are Fraser Papers and FPS Canada.

3. 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 asset purchase agreement dated as of December 22, 2009, as amended, between the Applicants and certain of their former affiliates, as vendors, and Brookfield Asset Management Inc. and/or such other persons as it may designate, namely Twin Rivers Paper Company Inc. (the “**Canadian Purchaser**”), as the purchaser of the Purchased Assets located in Canada, and Twin Rivers Paper Company LLC, as the purchaser of the Purchased Assets located in the United States (the “**Purchase Agreement**”) and the Order of the Honourable Madam Justice Pepall dated April 6, 2010 (the “**Approval and Vesting Order**”). Attached hereto and marked as Exhibits “A” and “B” are true copies of the Purchase Agreement and Approval and Vesting Order (excluding schedules).

4. This Affidavit is filed in support of the Motion brought by the Applicants for the relief set out in the Notice of Motion dated March 8, 2011 (the “**Notice of Motion**”). In particular, this Affidavit is sworn in support of the Applicants’ request for an Order (the “**Supplemental Vesting Order**”), *nunc pro tunc* to the date of the Approval and Vesting Order, being April 6, 2010:

- (i) vesting in the Canadian Purchaser all of the Vendors’ right, title and interest in and to the Additional New Brunswick Real Property (as defined herein) free and clear of and from all liens, charges and encumbrances, including but not limited to those set out in Schedule “B” to the Supplemental Vesting Order (save and except the permitted encumbrances set out in Schedule “C” to the Supplemental Vesting Order); and
- (ii) releasing, expunging and discharging the Additional Claims and Encumbrances as against, and recognizing the Additional Permitted Encumbrances (as such terms are defined below) in respect of, the New Brunswick Real Property as set out in Schedules “D” and “E” to the Supplemental Vesting Order.

5. Pursuant to the Order of the Honourable Madam Justice Pepall dated December 10, 2009 (the “**Sales Process Order**”), this Honourable Court approved the use of the Purchase Agreement as a stalking horse bid in a sales process to be undertaken in respect of the Applicants’ and certain of their former affiliates’ specialty papers business. No offers superior to the Purchase Agreement were received by the Applicants and, as such, the sales process was terminated in accordance with the Sales Process Order.

6. Pursuant to the Approval and Vesting Order, the transaction contemplated by the Purchase Agreement was approved and all of the Vendors’ right, title, benefit and interest in and to, *inter alia*, the New Brunswick Real Property vested absolutely in the Canadian Purchaser, free and clear of and from any and all Claims, save and except for the Permitted Encumbrances.

7. To account for the fact that the real property searches in respect of the New Brunswick Real Property were not completed on or before April 6, 2010 and the possibility that the New Brunswick Real Property described in the schedules attached to the Approval and Vesting Order was not exhaustive and that additional real property belonging to the Vendors might be located that would otherwise have been included in the schedules, the Approval and Vesting Order contemplates that a further Order of this Honourable Court may be sought to address issues in respect of title to the New Brunswick Real Property after the Approval and Vesting Order was granted.

8. Paragraph 19 of the Approval and Vesting Order provides that, notwithstanding the filing and/or registration of the Approval and Vesting Order with the applicable land registrar or equivalent official with respect to the New Brunswick Real Property, the Canadian Purchaser could seek further Order of this Honourable Court in the form of a supplemental vesting order: (i) directing that the Canadian Purchaser be entered as the owner of any additional New Brunswick Real Property in fee simple; (ii) supplementing the New Brunswick Real Property identified and described in the schedules attached to the Approval and Vesting Order; (iii) directing that any additional Claims or Encumbrances as against the New Brunswick Real Property that are disclosed to or come to the Canadian Purchaser’s attention within the six (6) month period following the date of the Approval and Vesting Order be deleted and expunged; and (iv) supplementing the permitted encumbrances, easements and restrictive covenants

affecting or relating to the New Brunswick Real Property as set out in the schedules to the Approval and Vesting Order.

9. I am advised by Danny Nunes, an associate with Thornton Grout Finnigan LLP (“**TGF**”), the Applicants’ Canadian counsel, that in and around August 2010, the Canadian Purchaser first advised the Vendors that additional real property in the Province of New Brunswick that formed part of the Lands purchased by the Canadian Purchaser pursuant to the Purchase Agreement had been located (the “**Additional New Brunswick Real Property**”). The Additional New Brunswick Real Property had not been included in Schedule “C” to the Approval and Vesting Order which schedule described the New Brunswick Real Property.

10. The Additional New Brunswick Real Property is comprised of four parcels, three of which are registered in the name of Norbord Inc. (the “**Norbord Parcels**”). The remaining parcel is registered in the name of Fraser Papers. Beneficial title to the Norbord Parcels was conveyed to Fraser Papers in 2004. Only after the Approval and Vesting Order was granted was it discovered that, although beneficial title to the Norbord Parcels had been conveyed to the Canadian Purchaser, legal title to the Norbord Parcels had not been formally conveyed to and registered in the name of Fraser Papers and, in turn, had not been formally conveyed to the Canadian Purchaser on closing of the transaction contemplated by the Purchase Agreement.

11. Norbord Inc. has executed a deed under the applicable New Brunswick statute to convey the Norbord Parcels to Fraser Papers (the “**Norbord Deed**”). Attached hereto and marked as Exhibit “C” is a true copy of the Norbord Deed.

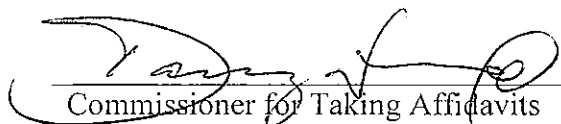
12. I am advised by Danny Nunes of TGF that upon the completion of the real estate searches in respect of the New Brunswick Real Property, which searches were only completed after the date on which the Approval and Vesting Order was issued, the Canadian Purchaser advised the Vendors of additional Claims and Encumbrances (the “**Additional Claims and Encumbrances**”) and additional Permitted Encumbrances (the “**Additional Permitted Encumbrances**”) in respect of, affecting and relating to the New Brunswick Real Property that had not been included in the schedules to the Approval and Vesting Order and that should be addressed in a supplemental vesting order.

13. As provided for in the Approval and Vesting Order, the Applicants seek the Supplemental Vesting Order to address the aforementioned issues regarding the New Brunswick Real Property and the Additional New Brunswick Real Property which issues would have otherwise been addressed in the Approval and Vesting Order.

14. The Applicants have conferred with the Monitor and the Monitor agrees that (i) the Additional New Brunswick Real Property ought to be included in the schedules to the Approval and Vesting Order in order to vest in the Canadian Purchaser free and clear of all Claims except the Permitted Encumbrances and (ii) the New Brunswick Real Property vested in the Canadian Purchaser free and clear of all Claims (including without limitation the Additional Claims and Encumbrances) except for the Permitted Encumbrances (including without limitation the Additional Permitted Encumbrances).

15. 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 8<sup>th</sup> day of  
March, 2011.

  
Commissioner for Taking Affidavits

DANNY NUNES

  
GLEN McMILLAN

# TAB "A"

*Execution Copy*

**ASSET PURCHASE 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**

**THE PURCHASER, AS HEREIN DEFINED**

**As the Purchaser**

**DATED AS OF DECEMBER 22, 2009**

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## ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of December 22, 2009 (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, the Vendors, together with their Subsidiaries (as hereinafter defined) and Affiliates (as hereinafter defined) carry on the Business;

AND 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 sell to the Purchaser all of the Purchased Assets, and the Purchaser desires to purchase from the Vendors all of the Purchased Assets and assume all of the Assumed Liabilities, upon and subject to the terms and conditions hereinafter set forth (the "Transaction");

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 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 this Agreement; and

AND WHEREAS, 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” means any and all accounts receivable, notes receivable, book debts, trade debts, rebates, refunds and other debts or receivables due or accruing due to the Vendors, together with all interest accrued on such items, and the full benefit of any security therefor, relating to the Business or the Purchased Assets.

“Action” means any litigation, action, suit, charge, binding arbitration, Tax audit or investigation or other legal, administrative, regulatory or judicial proceeding.

“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 Asset Purchase Agreement, including the Schedules hereto, in each case as amended or supplemented from time to time.

“Alternative Transaction” means the sale of the Purchased Assets to an entity other than the Purchaser pursuant to the Canadian Approval and Sales Process Order and the U.S. Approval and Sales Process Recognition Order.

“Amended Canadian Collective Agreements” shall have the meaning given to such term in Section 10.1(q).

“Ancillary Agreements” shall mean various agreements to be entered into between the Parties on Closing on such terms and conditions as may be satisfactory to the Purchaser, in its sole discretion, in connection with or pursuant to the terms of this Agreement and the consummation of the transactions contemplated herein including, without limitation: (i) a transitional services agreement for the provision of (a) administration, transaction processing and IT support, (b) customer service, logistics and supply chain management support, and (c) lumber sales support; (ii) the Non-Competition Agreement; and (iii) the Tolling Agreement.

“Ashland Assets” shall mean the property and assets of every kind and description used solely at the lumber mill owned and operated by the Vendors in Ashland, Maine.

“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.

"Assumed Liabilities" shall have the meaning given to such term in Section 4.1.

"Audited Financial Statements" shall mean the audited consolidated financial statements for the Vendors at December 31, 2008 and for the year ended December 31, 2008.

"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" means 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 and records used by the Vendors or any of their respective Affiliates which pertain to the Business, the Purchased Assets, the Transferred Employees, or the Unionized Employees including, without limitation, customer and vendor lists, together with any and all corresponding files, but excluding for greater certainty any books and records pertaining solely to the Excluded Assets.

"Brookfield" means Brookfield Asset Management Inc.

"Brookfield DIP Facility" means all advances made by Brookfield from and after the Filing Date under the senior secured superpriority revolving loan facility, up to an amount of US\$20,000,000.

"Business" shall mean the business of manufacturing and selling specialty paper products and related activities carried on by the Vendors, together with their Affiliates and Subsidiaries, including, *inter alia*, owning and operating integrated paper, pulp and lumber operations in the Province of New Brunswick and in the State of Maine at or relating to the Edmundston Mill, the Juniper Mill, the Madawaska Mill and the Plaster Rock Mill, but for greater certainty not including the business conducted by the Vendors at or relating to the Ashland Mill, the Masardis Mill, the Gorham Mill or the Thurso Mill.

“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 or authorized by Law to be closed for business.

“Canadian Court” shall have the meaning given to such term in the recitals.

“Canadian Employees” shall mean Employees employed in the Business in Canada.

“Canadian Approval and Vesting Order” shall have the meaning given to such term in Section 9.2.

“Canadian Approval and Vesting Order Motion” shall have the meaning given to such term in Section 9.2.

“Canadian Transferred Employees” shall mean Transferred Employees who are Canadian Employees.

“Canadian Orders” mean the Canadian Approval and Sales Process Order, the Canadian Approval and Vesting Order and any other Order of the Canadian Court issued and entered in the CCAA Proceedings in respect of the asset purchase transaction contemplated in this Agreement.

“Canadian Pension Plans” mean the Old FP Hourly Plan, the Old FP Salaried Plan and the Fraser Papers Inc. Defined Contribution Pension Plan, Registration No. 1146166.

“Canadian Approval and Sales Process Order” shall have the meaning given to such term in Section 9.1.

“Canadian Approval and Sales Process Motion” shall have the meaning given to such term in Section 9.1.

“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.

“CIBC” means Canadian Imperial Bank of Commerce.

“CIBC Existing Facility” means the revolving credit facility dated as of September 22, 2008 made among FPI, CIBC and the other parties party thereto, as amended from time to time.

“CIT” means CIT Business Credit Canada Inc.

“CIT DIP Facility” means all advances made by CIT from and after the Filing Date under the CIT Financing Agreement by way of a debtor-in-possession revolving loan facility, up to the amount of US\$24,000,000.

“CIT Exit Facility” shall have the meaning given to such term in Section 10.1(m).

“CIT Financing Agreement” means the Amended and Restated Financing Agreement dated as of May 2, 2008 between FPI and CIT, as amended from time to time.

“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.

“Closing Date Net Working Capital” shall have the meaning given to such term in Section 3.8(a).

“Common Shares” shall mean common shares in the capital of the Purchaser representing 49% of the outstanding common shares of the Purchaser (or, in the case of multiple Purchasers, 49% of the common shares of each Purchaser, other than any given Purchaser that is a wholly-owned Subsidiary of another Purchaser) as at the Closing Date issued to the Monitor, in trust for the benefit of the Vendors, in consideration of a portion of the Purchase Price payable under this Agreement.

“Consents and Approvals” means all consents, approvals, notifications, waivers and/or filings from Third Parties (including any Governmental Authority) as may be required to effectuate the transactions contemplated hereby, including those required by the terms of the Contracts, the Permits, the Timber Licences and the PPGTP Credits, and including the receipt of waivers of any rights in favour of any counterparties under such Contracts and Permits that may be triggered in connection with the transactions contemplated by this Agreement, the CCAA Proceedings or the Bankruptcy Case, and further including any 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 to the satisfaction of the Purchaser, acting reasonably).

“Contracts” means any and all contracts, agreements, leases instruments and other legally binding commitments or arrangements, written or oral, which have been entered into by the Vendors in connection with the operation of the Business or the Purchased Assets, including those contracts, agreements, leases and instruments concerning the supply of goods or services to the Vendors in connection with the Business or the Purchased Assets.

“Court Orders” shall mean the Canadian Orders and the U.S. Orders.

“Cure Costs” shall mean amounts that must be paid, if any, in connection with the assignment and assumption of the Contracts, the Permits, the PPGTP Credits and the Timber Licences, including costs to obtain any Consent and Approval or to cure any defaults thereunder, subject to the CCAA and the Bankruptcy Code, as applicable.

“Designated Employees” shall mean the Employees who are not Unionized Employees and who are designated by the Purchaser on a schedule to be delivered by the Purchaser to the Vendors on or before Closing and which, when delivered, shall form Schedule 3 hereto, which schedule shall include substantially all Employees at the Closing Date who are not Unionized Employees.

“DIP Lenders” shall mean collectively, CIT under the CIT DIP Facility, Brookfield under the Brookfield DIP Facility and GNB under the GNB Plaster Rock DIP Facility (and each a DIP Lender).

"Edmundston Assets" shall mean all of the property and assets of every kind and description relating to the Edmundston Mill including, without limitation, all property and assets which are currently or usually (a) situated at such location and operations or (b) used by or in connection with such location or operations.

"Edmundston Mill" shall mean the pulp and energy complex owned and operated by the Vendors at 27 Rice Street, Edmundston, New Brunswick and the operations carried on thereat.

"Effective Date" shall have the meaning given to such term in the introductory paragraph.

"Employee Liabilities" shall mean any material Liabilities that have been used by the Vendors for purposes of financial reporting in respect of the Business, and shall include, without limitation, wages, salaries, payroll withholdings, unpaid vacation, post-employment benefit obligations, current cost of Benefit Plans, supplemental retirement arrangements, accrued bonus and incentives, unpaid wages and current monthly defined contribution pension plan contributions related to the Transferred Employees, to the extent that such Liabilities are outstanding on Closing.

"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.

"Environment" shall mean the ambient air, all layers of the atmosphere, surface water, underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, organic and inorganic matter and living organisms, and includes indoor spaces.

"Environmental Law" shall mean all federal, provincial, municipal or local statutes, regulations, by-laws, Environmental Permits, orders or rules, and any policies or guidelines of any Governmental Authority, and any requirements or obligations arising under the common law, relating to the Environment, the transportation of dangerous goods and occupational health and safety.

"Environmental Permits" means all permits, licences, approvals, consents, authorizations, registrations and certificates issued by or provided to, as the case may be, any Governmental Authority pursuant to an Environmental Law.

"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 Assets" shall have the meaning given to such term in Section 2.4.

“Excluded Letters of Credit” shall mean any and all letters of credit issued in respect of the Vendors, including, without limitation, the letters of credit issued by CIT under the CIT Financing Agreement described on Schedule 4 attached hereto, other than the Workers Compensation L/C.

“Excluded Liabilities” shall have the meaning given to such term in Section 4.3.

“Existing Canadian Collective Agreements” mean:

(a) Fraser Papers Inc. and Communications, Energy and Paperworkers Union of Canada Local No 29 (Edmundston Mill - Expires June 30, 2012);

(b) Fraser Papers Inc. and Communications, Energy and Paperworkers Union of Canada Local No 29 (Edmundston Cleaning Staff - Expires June 30, 2014);

(c) Fraser Papers Inc. and Communications, Energy and Paperworkers Union of Canada Local No 29 (Edmundston Office Workers - Expires August 31, 2014);

(d) Fraser Inc. et le syndicat canadien des communications, de l'énergie et du papier, Local 6N (Edmundston Scalers & Clerks - Expires June 30, 2010);

(e) Fraser Papers Inc. and New Brunswick Regional Council of Carpenters, Millwrights and Allied Workers, Local 2450 (Plaster Rock - Expires January 31, 2013);

(f) Fraser Papers Inc. and Communications, Energy and Paperworkers Union of Canada Local No. 4N (Security-Expires June 30, 2014); and

(g) Fraser Papers Inc. and Communications, Energy and Paperworkers Union of Canada Local No. 114 (Expires April 30, 2010, agreement under “AT Limited Partnership”).

“Existing Collective Agreements” means the Existing Canadian Collective Agreements and the Existing U.S. Collective Agreements.

“Existing US Collective Agreements” mean:

(a) Fraser Papers Ltd. and United Steel Workers Local 4-1247, 4-365, 4-291 (Former PACE, USW – Expired October 31, 2009; extended to November 30, 2009); and

(b) Fraser Papers Ltd. and Office and Professional Employees International Union, Local no. 232 (OPEIU - Expired October 31, 2009; extended to November 30, 2009).

“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, the operation or effect of which has not been reversed, stayed, modified or amended, and as to which any and all appeal periods with respect to such order, judgment or decree have 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 relating to the Business or the Purchased Assets, except the Toronto Assets.

"General Conveyance and Assumption of Liabilities Agreement" shall mean a general conveyance and assumption of liabilities agreement to be entered into between the Purchaser and the Vendors on Closing on terms and conditions satisfactory to the Purchaser in its sole discretion.

"GNB" means Her Majesty the Queen in Right of the Province of New Brunswick, as represented by the Minister of Business New Brunswick.

"GNB Loan Agreement" means a loan agreement dated as of June 16, 2008 between FPI and GNB by which GNB agreed to make a term loan available in a principal amount of up to Cdn.\$40,000,000.

"GNB Plaster Rock DIP Facility" means advances of up to Cdn.\$9,000,000 to be made by GNB under the GNB Loan Agreement after the Filing Date to be used solely for lumber mill facility in Plaster Rock, New Brunswick for the purpose of completing the modernization of the lumber mill including the installation of a new saw line, new kilns and a new energy system.

"Gorham Assets" shall mean the property and assets of every kind and description used solely at the paper mill owned and operated by the Vendors in and around Gorham, New Hampshire, United States.

"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.

"Intellectual Property" shall mean all rights to and interests in:

(a) all business names, trade names, corporate names, telephone numbers, domain names, domain name registrations, website names and worldwide web addresses and other communications addresses related to the Business;

(b) all inventions, patents, patent rights, patent applications (including all reissues, divisions, continuations, continuations-in-part and extensions of any patent or patent application) related to the Business;

(c) all industrial designs and applications for and registration of industrial designs, design patents and industrial design registrations related to the Business;

(d) all trade-marks (whether used with wares or services and including the goodwill attaching to such trade-marks) and registrations and applications for registration of trade-marks and all trade dress, logos, slogans and brand names related to the Business;

(e) all copyright in all works (including software programs and databases) and database rights and registrations and applications for registrations of copyright related to the Business, and without limiting the generality of the foregoing, all proprietary rights in the computer software and programs (in both the source code and object code forms) and all documentation and other materials related to the computer software and programs;

(f) all rights and interests in and to processes, lab journals, notebooks, data, trade secrets, designs, know-how, product formulae and information, manufacturing, engineering and other drawings and manuals, technology, blue prints, research and development reports, agency agreements, technical information, technical assistance, engineering data, design and engineering specifications, and similar materials recording or evidencing expertise or information related to the Business;

(g) all of the intellectual property affected by the registrations and applications for registration related to the Business;

(h) all other intellectual property rights throughout the world used in carrying on, or arising from the operation of, the Business;

(i) all licences granted by the Vendors of the intellectual property listed in items (a) to (h) above;

(j) all future income and proceeds from any of the intellectual property listed in items (a) to (h) above and the licences listed in item (i) above; and

(k) all rights to damages and profits by reason of the infringement of any of the intellectual property listed in items (a) to (h) above and the licences listed in item (i) above.

“Intercompany Receivables” shall mean any and all Accounts Receivables 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 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.

“Inventory” shall mean any and all inventories (including finished goods, work-in-process, raw and packaging materials, stores, manufacturing supplies and spare parts) relating to the Business or the Purchased Assets.

“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.

"Juniper Assets" shall mean all of the property and assets of every kind and description relating to the Juniper Mill including, without limitation, all property and assets which are currently or usually (a) situated at such location and operations or (b) used by or in connection with such location and operations.

"Juniper Mill" shall mean the lumber mill owned and operated by the Vendors at 35 Juniper Mill Road, Juniper, New Brunswick and the operations carried on thereat.

"Lands" shall mean any and all freehold property and interests therein of the Vendors, and all buildings and other structures, facilities or improvements currently or hereafter located thereon, all fixtures, systems and items of personal property of the Vendors attached or appurtenant thereto and any and all rights of way, licences or rights of occupation, easements or other similar rights of the Vendors, as applicable, in connection with such freehold property, in each case, relating to the Business or the Purchased Assets, including, without limitation, the freehold property municipally known as:

- (a) 27 Rice Street, Edmundston, New Brunswick;
- (b) 31 Renous Road, Plaster Rock, New Brunswick;
- (c) 35 Juniper Mill Road, Juniper, New Brunswick; and
- (d) 82 Bridge Road, Madawaska, Maine.

"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.

"Madawaska Assets" shall mean all of the property and assets of every kind and description relating to the Madawaska Mill including, without limitation, all property and assets which are currently or usually (a) situated at such location and operations or (b) used by or in connection with such location or operations.

"Madawaska Mill" shall mean the paper mill owned and operated by the Vendors at 82 Bridge Street, Madawaska, Maine and the operations carried on thereat.

"Masardis Assets" shall mean the property and assets of every kind and description used solely at the lumber mill owned and operated by the Vendors in Masardis, Maine.

"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 Purchaser be likely to have (x) a material adverse change in or material adverse effect on the Purchased Assets, the Assumed Liabilities or the Business (excluding the Excluded Assets and the Excluded Liabilities) or the Purchaser’s use and enjoyment of the Purchased Assets, in each case taken as a whole, or (y) 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 (z) the result or consequence that the Purchaser 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 (a) effects resulting from changes in general economic, regulatory, political or industry conditions or from acts of terror or war, (b) effects resulting from changes in (or proposals to change) any Laws after the date hereof; (c) effects resulting from the identity of, or acts attributable to, or omissions by the Purchaser or any of its Affiliates, (d) effects resulting from changes in commodity or energy prices, in interest or currency exchange rates or in capital market conditions, (e) effects resulting from circumstances that affect the industries in which the Vendors operate generally, or (f) effects resulting from changes in generally accepted accounting principles after the date hereof. For greater certainty and without limiting the generality of the foregoing, 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 Purchased Assets or the Business by \$10,000,000 or more shall constitute a Material Adverse Effect.

“Monitor” shall have the meaning given to such term in the recitals.

“Monitor’s Certificate” means the certificate of the Monitor the form of which is attached as Schedule A to the Canadian Approval and Vesting Order confirming that all matters to be completed prior to the consummation of the transactions contemplated hereby have been completed.

“NB Power” means New Brunswick Power Company.

“Net Working Capital” shall mean the sum of the Qualifying Accounts Receivable plus the Inventory minus the Assumed Liabilities as described in Section 3.8(c).

“New U.S. Collective Agreements” shall have the meaning given to such term in Section 10.1(o).

“New Hourly DC Plan” shall have the meaning given to such term in Section 7.6(a).

“New Salaried DC Plan” shall have the meaning given to such term in Section 7.7(a).

“Non-Competition Agreement” means the non-competition agreement between the Vendors and the Purchaser to be entered into for Closing on terms and conditions satisfactory to the Purchaser, in its sole discretion, pursuant to which, among other things, none of FNHL or any of its Affiliates shall be permitted to manufacture, market or sell certain specified paper products

or specified paper grade categories in North America for a period of five (5) years after the Closing Date.

"Non-Purchased Asset" shall have the meaning given to such term in Section 2.5.

"Old FP Hourly Plan" shall have the meaning given to such term in Section 7.6(a).

"Old FP Salaried Plan" shall have the meaning given to such term in Section 7.7(a).

"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 the ordinary course of business, operations and activities conducted by the Vendors, taken as a whole 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.

"Pension Plans" shall mean the Canadian Pension Plans and the U.S. Pension Plans.

"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 to any of the Vendors relating to the Business or the Purchased Assets.

"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 Purchased Assets; (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 Purchaser or any of the Purchaser's Affiliates, employees, officers, directors, agents, contractors, invitees or

licensees of the Purchaser; (vi) liens for Taxes not yet due and payable; and (vii) such other Liens as permitted by the Purchaser, 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.

“Personal Information” shall mean information about an identifiable individual as defined in Privacy Law.

“Plaster Rock Assets” shall mean all of the property and assets of every kind and description relating to the Plaster Rock Mill including, without limitation, all property and assets which are currently or usually (a) situated at such location and operations or (b) used by or in connection with such location or operations.

“Plaster Rock Mill” shall mean the lumber mill owned and operated by the Vendors at 31 Renous Road, Plaster Rock, New Brunswick.

“Portland Assets” shall mean all of the property and assets of every kind and description currently or usually situated at, used in connection with or relating to the sales administration and other corporate functions carried on by the Vendors in respect of the Business at 707 Sable Oaks Drive, Suite 010, South Portland, Maine, U.S., 04106.

“Post-Retirement Liabilities” shall mean: (a) with respect to Unionized Employees and retirees, all Liabilities for the post-retirement benefits (and not including for greater certainty, any pension plan benefits) provided under the New U.S. Collective Agreements and the Amended Canadian Collective Agreements and, (b) with respect to Transferred Employees, all Liabilities for the post-retirement benefits (and not including for greater certainty, any pension plan benefits) provided under the Benefit Plans, as applicable, solely to the extent such Benefit Plans, as applicable, are assumed by the Purchaser pursuant to Section 7.3 of this Agreement.

“PPGTP Credits” shall mean the credits issued to FPI in connection with the Edmundston Mill in the amount of Cdn.\$23,218,367 pursuant to the Pulp and Paper Green Transformation Program administered by Natural Resources Canada.

“Preferred Shares” shall mean the non-voting preferred shares of the Purchaser in the aggregate face amount of \$35,000,000 to be issued to GNB in consideration of a portion of the Purchase Price payable under this Agreement. The Preferred Shares shall have a term of 10 years from the issue date. The holders of the Preferred Shares shall be entitled to fixed, cumulative dividends in the amount of 4.7% per annum, payable quarterly on each of March 1, June 1, September 1 and December 1, in cash or, at the Purchaser’s option, in additional Preferred Shares. The Preferred Shares shall: (a) be redeemable at any time by the Purchaser by payment in cash at the issue price together with all accrued and unpaid dividends as at the redemption date; and (b) include such other terms and conditions as the Purchaser and the Vendors, in consultation with GNB, may agree, acting reasonably.

“Premises” means all real property, buildings and facilities, including any part of any such property, building or facility owned, leased, or operated by the Vendors in connection with the Business or the Purchased Assets, including the Lands.

“Prepaid Expenses” shall mean any and all of the Vendors’ prepaid expenses and deposits at any time relating to the Business or the Purchased Assets.

“Privacy Law” shall mean the *Personal Information Protection and Electronic Documents Act* (Canada) and the *Freedom of Information and Protection of Privacy Act* (Ontario), and any comparable Law of any other jurisdiction related or applicable to the Transferred Employees and the Unionized Employees transferred from the Vendors to the Purchaser pursuant to this Agreement.

“Proceedings” shall mean any action, suit, arbitration, mediation, litigation, hearing, investigation, inquiry or other proceeding of any kind involving any Governmental Authority, any Judicial Authority or any other Person.

“Promissory Note” shall mean the unsecured promissory note dated the Closing Date to be issued by the Purchaser in favour of the Monitor, in trust for the benefit of the Vendors, in the amount of Forty-Two Million Four Hundred Thousand Dollars (\$42,400,000), subject to adjustment in Section 3.8, in consideration of a portion of the Purchase Price payable under this Agreement. The Promissory Note shall mature 10 years from the issue date, be non-interest bearing, not include any restrictive or positive covenants on the part of the Purchaser other than in relation to payment on maturity, and be in form as may be determined by agreement of the Purchaser and the Vendors prior to Closing.

“Purchase Price” shall have the meaning given to such term in Section 3.1(a).

“Purchased Assets” shall have the meaning given to such term in Section 2.1.

“Purchaser” shall mean Brookfield or such other Person or Persons as it may designate on or prior to Closing.

“Purchaser’s Solicitors” means Torys LLP.

“Qualifying Accounts Receivable” means any Accounts Receivable that: (i) is a binding and valid obligation of the obligor thereon and is in full force and effect; (ii) is evidenced by an invoice and is payable in Canadian Dollars or U.S. Dollars; (iii) is genuine appearing on its face or as represented in the books and records of the Vendors; (iv) is free from claims regarding rescission, cancellation or avoidance whether by operation of law or otherwise; (v) is less than 90 days past the original invoice date thereof and less than 60 days past the original due date thereof; (vi) is net of concessions, offset, deduction, contra, returns, chargebacks or understandings with the obligor thereon that in any way could reasonably be expected to adversely affect the payment of, or the amount of, such Accounts Receivable; (vii) is not an Intercompany Receivable; and (viii) arose in the Ordinary Course of business of the Vendors.

“Real Property Tax Refunds” means any and all rebates or refunds for realty taxes relating to the Business or the Purchased Assets.

"Realty Taxes" means the unpaid realty taxes owing for the period prior to the Closing in respect of the Edmundston Mill, the Juniper Mill and the Plaster Rock Mill and, solely in respect of the Madawaska Mill, the unpaid *ad valorem* taxes on real or personal property accrued with respect to the period prior to Closing. For greater certainty, Realty Taxes do not include tree growth, farmland and open space recapture taxes or penalties.

"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.

"Sales Process" shall mean the sales process set out in and approved pursuant to the Canadian Approval and Sales Process Order.

"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.

"Substance" means any substance or material which under any Environmental Law is defined to be "hazardous", "toxic", "deleterious", "caustic", "dangerous", a "contaminant", a "pollutant", a "dangerous good", a "waste", a "source of contamination" or a source of a "pollutant".

"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 including Canada Pension Plan and provincial pension plan contributions, employment insurance and unemployment insurance payments and workers' compensation premiums in respect of Canadian Employees, 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.

"Tax Return" shall mean any return, declaration, report, claim for refund, or information return or statement relating to any Tax, including any information return or report with respect to backup withholding and other payments to Third Parties.

"Termination Date" shall have the meaning given to such term in Section 15.2(c)(v).

"Termination Fee" shall have the meaning given to such term in Section 15.3.

"Third Party" shall mean any Person other than a Party or any of its Affiliates.

"Thurso Assets" shall mean the property and assets of every kind and description used solely at the Thurso Mill.

"Thurso Mill" shall mean the hardwood pulp mill owned and operated by the Vendors in Thurso, Quebec and the operations carried on thereat.

"Thurso PPTGP Credits" means the credits issued to FPI in connection with the Thurso Mill in the amount of Cdn.\$9,876,065 pursuant to the Pulp and Paper Green Transformation Program administered by Natural Resources Canada.

"Timber Licences" shall mean any and all rights of the Vendors to harvest timber from lands owned by the Province of New Brunswick or any other Person including, without limitation, Forest Licence 9 - Carleton, related to the Business.

"Tolling Agreement" means the tolling agreement between the Vendors and the Purchaser to be entered into for Closing on such terms and conditions as may be satisfactory to the Purchaser, in its sole discretion, pursuant to which, among other things, FNHL and its Affiliates will provide the Purchaser with certain manufacturing outsourcing services for specified products for a period of three (3) years after the Closing Date.

"Toronto Assets" shall mean the furniture, fixtures and equipment of the Vendors located at FPI's head office at Suite 200, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

"Transaction" shall have the meaning given to such term in the recitals.

"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 the Purchased Assets or the consummation of the transactions contemplated hereby.

"Transactional Taxes" shall mean all sales, use, goods and services, transfer, conveyance, bulk transfer, excise, stamp, documentary, retail sales, land transfer and other taxes and all other governmental duties, charges, fees, imposts and assessments, and all interest and penalties thereon and additions thereto, imposed at any time by any taxing authority with respect to this Agreement, the transfer, assignment, conveyance or delivery of the Purchased Assets or the consummation of the transactions contemplated hereby. For greater certainty, Transactional Taxes do not include tree growth, farmland and open space recapture taxes or penalties.

"Transferred Employees" shall mean the Designated Employees who have accepted the Purchaser's offer of employment as at the Closing Date. For greater certainty, Unionized Employees are not Transferred Employees. In the case of Designated Employees whose employment relates to the Juniper Mill, "Transferred Employees" shall mean such Designated Employees who have accepted the Purchaser's conditional offer of employment set out in Section 7.1(c) of this Agreement, subject to the satisfaction of the conditions in such Section 7.1(c) regarding the deadline for the restart of the Juniper Mill.

"Transferred Hourly Employee" means an hourly paid Employee of FPI who transfers to the Purchaser on the Closing Date namely (a) Designated Employees who are non-union scalers and clerks; and (b) Unionized Employees who are members of one of the Unions at the Closing Date.

"Transferred Salaried Employee" means a salaried Employee who is a Designated Employee who has accepted the Purchaser's offer of employment as at the Closing Date.

"Unassigned Contracts and Permits" has the meaning ascribed thereto in Section 2.2.

"Unaudited Financial Statements" shall mean the unaudited consolidated financial statements of the Vendors at October 3, 2009 and for the nine-month period ended October 3, 2009.

"Unionized Employees" shall mean the Employees who will be governed by the Amended Canadian Collective Agreements and the New U.S. Collective Agreements and who become employees of the Purchaser as of the Closing Date.

"Unions" shall mean the following:

- (a) Communications, Energy and Paperworkers Union of Canada Local No. 29;
- (b) Communications, Energy and Paperworkers Union of Canada Local No. 29 (Cleaning Staff);
- (c) Communications, Energy and Paperworkers Union of Canada Local No. 29 (Office);
- (d) Le syndicat canadien des communications, de l'énergie et du papier, Local 6N;
- (e) New Brunswick Regional Council of Carpenters, Millwrights and Allied Workers, Local 2450;
- (f) Communications, Energy and Paperworkers Union of Canada Local No. 4N;
- (g) Communications, Energy and Paperworkers Union of Canada Local No. 114;
- (h) United Steel Workers Local 4-1247, 4-365, 4-291; and
- (i) Office and Professional Employees International Union, Local No. 232.

"United States" or "US" shall mean the United States of America

"U.S. DC Plan" shall have the meaning given to such term in Section 7.8(a).

"U.S. Employees" shall mean Employees employed in the Business in the United States.

"U.S. Approval and Vesting Recognition Motion" shall have the meaning given to such term in Section 9.4.

"U.S. Approval and Vesting Recognition Order" shall have the meaning given to such term in Section 9.4.

"U.S. Orders" mean the U.S. Approval and Sales Process Recognition Order, the U.S. Approval and Vesting Recognition Order and any other Order of the Bankruptcy Court issued and entered in the Bankruptcy Case in respect of the asset purchase transaction contemplated in this Agreement.

"U.S. Pension Plan" means the Pension Plan for U.S. Transferred Employees of Fraser Papers Limited.

"U.S. Approval and Sales Process Recognition Motion" shall have the meaning given to such term in Section 9.3.

"U.S. Approval and Sales Process Recognition Order" shall have the meaning given to such term in Section 9.3.

"U.S. Transferred Employees" shall mean Transferred Employees who are U.S. Employees.

"Vendors" shall have the meaning given to such term in the introductory paragraph.

"Vendors' Solicitors" means ThorattonGroutFinnigan LLP.

"Workers Compensation L/C" means only the letters of credit described in Schedule 10 in the aggregate amount of \$14,115,500 as of the date hereof, to secure potential workers' compensation obligations of the Vendors in the United States.

## **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.

The following are the Schedules attached to this Agreement:

Schedule 1	—	Accounts Receivable
Schedule 2	—	Contracts
Schedule 3	—	Designated Employees
Schedule 4	—	Excluded Letters of Credit
Schedule 5	—	Fixed Assets
Schedule 6	—	Intellectual Property
Schedule 7	—	Inventory
Schedule 8	—	Lands
Schedule 9	—	Encumbrances
Schedule 10	—	Workers Compensation L/C
Schedule 11	—	Allocation of Purchase Price
Schedule 12	—	Quantification and Allocation of Assumed Liabilities
Schedule 13	—	Permits
Schedule 14	—	Compliance with Laws
Schedule 15	—	Environmental Health and Safety Matters
Schedule 16	—	Litigation
Schedule 17	—	Tax Liens
Schedule 18	—	Employment Matters
Schedule 19	—	Operation of the Business
Schedule 20	—	Critical Suppliers

The Purchaser and the Vendors agree that as at December 3, 2009, the following Schedules have been delivered by the Vendors: (i) Schedule 2 (Contracts); (ii) Schedule 4 (Excluded Letters of Credit); (iii) Schedule 6 (Intellectual Property); (iv) Schedule 8 (Lands). The Vendors covenant and agree to provide the following Schedules to the Purchaser on or

before December 9, 2009, such Schedules to be to the satisfaction of the Purchaser and the Vendors, both acting reasonably: (i) Schedule 1 (Accounts Receivable); (ii) Schedule 5 (Fixed Assets); (iii) Schedule 7 (Inventory); (iv) Schedule 9 (Encumbrances); (v) Schedule 10 (Workers Compensation L/C); (vi) Schedule 13 (Permits); (vii) Schedule 14 (Compliance with Laws); (viii) Schedule 15 (Environmental Health and Safety Matters); (ix) Schedule 16 (Litigation); (x) Schedule 17 (Tax Liens); (xi) Schedule 18 (Employment Matters); (xii) Schedule 19 (Operation of the Business) and (xiii) Schedule 20 (Critical Suppliers). The Parties hereby agree and acknowledge that any updated Schedules to be provided by the Vendors pursuant to the terms of this Agreement to the Purchaser on or before Closing shall be satisfactory to the Purchaser, in its sole and absolute discretion.

## ARTICLE 2 PURCHASED ASSETS

### Section 2.1 Agreement to Purchase and Sell Purchased Assets.

Upon the terms and subject to the conditions contained in this Agreement, at the Closing, the Vendors shall sell, convey, transfer, assign and deliver to the Purchaser, and the Purchaser shall purchase and accept from the Vendors, free and clear of any and all Encumbrances (other than Permitted Encumbrances), all right, title and interest of the Vendors in and to the Edmundston Assets, the Juniper Assets, the Madawaska Assets, the Plaster Rock Assets, the Portland Assets and all of the other property and assets of every kind and description used by or in connection with or otherwise relating, in whole or in part, to the Business, other than only the Excluded Assets (collectively, the "Purchased Assets"), as such Purchased Assets shall exist on the Closing Date, including without limitation all of the following assets and properties of the Vendors:

- (a) the Lands;
- (b) the Timber Licences;
- (c) the Contracts;
- (d) the Fixed Assets;
- (e) all Inventory;
- (f) the PPGTP Credits;
- (g) all Intellectual Property;
- (h) the Books and Records;
- (i) all Accounts Receivable;
- (j) all Prepaid Expenses;
- (k) all Permits (to the extent assignable);

#### Section 2.4 Excluded Assets.

(a) Notwithstanding anything contained herein to the contrary, only those assets that are Purchased Assets shall be sold, conveyed, transferred, assigned or delivered to the Purchaser under this Agreement. Without limiting the generality of the foregoing, the Purchased Assets shall not include any of the following (collectively, and together with all other assets that are not Purchased Assets, the "Excluded Assets"):

- (i) the Purchase Price delivered to the Vendors pursuant to this Agreement;
- (ii) the Unassigned Contracts and Permits (only to the extent any required Consents and Approvals are never obtained);
- (iii) all cash on hand, cash on deposit, cheques received but not yet deposited or cleared, wire transfers transmitted but not yet received, cash equivalents, certificates of deposit, and marketable securities, including accrued interest thereon, held by or on behalf of the Vendors;
- (iv) the Intercompany Receivables;
- (v) all Equity Interests;
- (vi) all bank accounts of the Vendors;
- (vii) any rights, claims or causes of action of the Vendors under this Agreement or any Ancillary Agreement;
- (viii) the Ashland Assets;
- (ix) the Thurso Assets;
- (x) the Masardis Assets;
- (xi) the Gorham Assets;
- (xii) the Toronto Assets;
- (xiii) all property and assets relating solely to or arising or generated solely from the business and operations carried on at the Thurso Mill, the Ashland Mill, the Masardis Mill or the Gorham Mill; and
- (xiv) the Non-Purchased Assets.

#### Section 2.5 Designation of Excluded Assets

Notwithstanding anything contained in this Agreement, on written notice to the Vendors, the Purchaser shall have the right on or before Closing, at its sole option, to delete and remove a Purchased Asset from the definition thereof (a "Non-Purchased Asset") and, in that event, no right, title, or interest of the Vendors in such deleted or removed Purchased Asset shall be

purchased by or transferred to the Purchaser in completing the transactions contemplated by this Agreement. For greater certainty, such Non-Purchased Asset shall constitute an Excluded Asset. In no event shall the Purchaser or any of its Affiliates purchase or be deemed to have purchased any assets other than the Purchased Assets.

### ARTICLE 3 PURCHASE PRICE AND RELATED MATTERS

#### Section 3.1 Purchase Price.

The aggregate purchase price (the "Purchase Price") payable by the Purchaser to the Vendors for the Purchased Assets shall be One Hundred and Eighty-Five Million Dollars (\$185,000,000), subject to adjustment in accordance with Section 3.8, as follows:

- (a) Thirty-Five Million Dollars (\$35,000,000) in cash;
- (b) Forty-Two Million Four Hundred Thousand Dollars (\$42,400,000) evidenced by the Promissory Note;
- (c) Thirty-Five Million Dollars (\$35,000,000) in the form of the Preferred Shares;
- (d) Twenty-Five Million Dollars (\$25,000,000) in the form of the Common Shares; and
- (e) by the assumption of the Assumed Liabilities up to a maximum amount of Forty-Seven Million Six Hundred Thousand Dollars (\$47,600,000).

#### Section 3.2 Payment of Purchase Price.

On Closing, the Purchaser shall pay the Purchase Price as follows:

- (a) an amount equal to Thirty-Five Million Dollars (\$35,000,000) in cash to the Monitor on behalf of the Vendors, in trust, to be immediately distributed as follows:
  - (i) Ten Million Dollars (\$10,000,000) to be immediately distributed to CIT on account of amounts owing under the CIT Financing Agreement; and
  - (ii) Twenty-Five Million Dollars (\$25,000,000) to be immediately distributed to CIBC on account of amounts owing under the CIBC Existing Facility;
- (b) delivery of the Promissory Note as follows:
  - (i) as to \$10,000,000, by the Purchaser, on account of a holdback (the "Holdback Amount"); and
  - (ii) as to \$32,400,000, subject to adjustment in accordance with Section 3.8 of this Agreement, to the Monitor on behalf of the Vendors, in trust, to be

distributed in accordance with such Orders of the Canadian Court and the Bankruptcy Court as may be subsequently made.

(c) issuance and delivery of the Preferred Shares to the Monitor on behalf of the Vendors, in trust, to be immediately distributed to GNB in full satisfaction of the amounts owing under the GNB Loan Agreement;

(d) issuance and delivery of the Common Shares to the Monitor on behalf of the Vendors, in trust, to be distributed in accordance with such Orders of the Canadian Court and the Bankruptcy Court as may be subsequently made; and

(e) the assumption of up to a maximum amount of Forty-Seven Million Six Hundred Thousand Dollars (\$47,600,000) of Assumed Liabilities which shall be satisfied by the Purchaser's execution and delivery of the General Conveyance and Assumption of Liabilities Agreement.

### Section 3.3 Holdback Amount

The Holdback Amount shall be held in escrow and shall be available to satisfy any and all rights that the Purchaser shall have following the Closing to receive payment, compensation or return of a portion of the Purchase Price for any reason whatsoever under or in relation to the indemnification obligations of the Vendors pursuant to Article 13 of this Agreement. The escrow period for the Holdback Amount shall end on the date which is the earlier of: (a) for any portion of the Holdback Amount which at any time becomes payable to the Purchaser, the date on which such portion is paid to the Purchaser; and (b) for the balance of the Holdback Amount, the earlier of the date which is 12 months after the Closing Date and such date, acceptable to the Purchaser, on which a duly approved and sanctioned plan or plans of compromise or arrangement in respect of the Vendors is completed under the CCAA Proceedings (the "Holdback Period"). Upon termination of the Holdback Period, any portion of the Holdback Amount not payable to the Purchaser shall be released and paid to the Monitor, in trust for the Vendors, to be distributed according to the terms and conditions of the Orders to be subsequently made. The terms and conditions of the escrow of the Holdback Amount shall be set out in an escrow agreement to be entered into by the Vendors and the Purchaser on or prior to Closing, on terms and conditions satisfactory to both Parties, acting reasonably.

### Section 3.4 Closing Date Estimated Balance Sheet

Not less than two (2) Business Days before the Closing Date, the Vendors shall deliver to the Purchaser a balance sheet of the Business as at the Closing Date which shall reflect a good faith estimate by the Vendors of the balance sheet of the Business as at the Closing Date (the "Closing Date Estimated Balance Sheet"). The Closing Date Estimated Balance Sheet shall be accompanied by a certificate of the chief financial officer of FPI, or other senior officer of FPI acceptable to the Purchaser, 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 Purchaser may reasonably request.

### **Section 3.5 Closing Date Balance Sheet**

(a) Not later than sixty (60) days after the Closing Date, the Vendors shall cause a balance sheet of the Business as at the Closing Date to be prepared and delivered to the Purchaser, which balance sheet shall be prepared in a manner consistent with that of the Closing Date Estimated Balance Sheet set out in Section 3.4 of this Agreement (the "Closing Date Balance Sheet"). The form of the Closing Date Balance Sheet shall be satisfactory to the Purchaser, in its sole and absolute discretion.

(b) If the Purchaser notifies the Vendors that it agrees with the Closing Date Balance Sheet within ten (10) days after receipt thereof, the Closing Date Balance Sheet shall be conclusive and binding on the Purchaser and the Vendors and the Parties shall be deemed to have agreed thereto on the date the Vendors receive the notice. If the Purchaser notifies the Vendors of its disagreement with the Closing Date Balance Sheet within such ten (10) day period, then the Purchaser and the Vendors shall attempt, in good faith, to resolve their differences with respect thereto within five (5) days after the Vendors' receipt of the Purchaser's notice of disagreement. Any disagreement over the Closing Date Balance Sheet (a "Balance Sheet Dispute") not resolved by the Purchaser and the Vendors within such five (5) day period shall be submitted for dispute resolution in accordance with Article 14 set out herein.

### **Section 3.6 Determination of Purchase Price and Adjustment of Amount Paid on Closing Date**

On the 2nd Business Day following the date on which the Parties agree to the Closing Date Balance Sheet, or on the 2nd Business Day following the date on which a determination of a Balance Sheet Dispute is made pursuant to Section 3.5, whichever is later, the Purchase Price shall be determined based on the Closing Date Balance Sheet, and shall be adjusted as provided in Section 3.8.

### **Section 3.7 Financial Statements**

All financial statements required to be prepared 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.

### **Section 3.8 Purchase Price Adjustment**

(a) If the Net Working Capital as at the Closing Date (the "Closing Date Net Working Capital") is greater than Fifty-Four Million Dollars (\$54,000,000), then the amount of the Purchase Price evidenced by the Promissory Note shall be increased by an amount equal to the Closing Date Net Working Capital minus \$54,000,000. In such event, the Vendors and the Purchaser shall promptly make arrangements for the delivery to the Monitor, in trust for the Vendors, of an additional Promissory Note in the amount of the adjustment pursuant to this clause.

(b) If the Closing Date Net Working Capital is less than Fifty-Four Million Dollars (\$54,000,000), then the amount of the Purchase Price evidenced by the Promissory Note shall be reduced by an amount equal to \$54,000,000 minus the Closing Date Net Working Capital. In such event, the Vendors shall promptly make arrangements for the return of the Promissory Note from the Monitor and the Purchaser shall make arrangements for the delivery to the Monitor, in trust for the benefit of the Vendors, of a replacement Promissory Note in the amount of \$32,400,000 minus the amount of the adjustment pursuant to this clause. Pending completion of the calculation and payment of the Purchase Price adjustment pursuant to the terms herein, the Monitor shall not distribute or otherwise release the Promissory Note or any portion thereof.

(c) For the purpose of this Section 3.8, the Assumed Liabilities relevant in calculating the Closing Date Net Working Capital shall mean Liabilities assumed by the Purchaser in respect of the following categories of payables as they may exist on the relevant date:

- (i) all Ordinary Course accounts payable and trade payables for goods provided and services rendered to the Vendors following the Filing Date in relation solely to the Purchased Assets to the extent such amounts are outstanding on Closing, excluding, for greater certainty, any and all Intercompany Receivables and Intercompany Liabilities;
- (ii) accrued payroll and benefits; and
- (iii) amounts owing for unpaid Realty Taxes.

### Section 3.9 Payments.

Any reference in this Agreement or any other document delivered pursuant to this Agreement to payment means cash payment by negotiable cheque certified by a Canadian chartered bank or official bank draft drawn on a Canadian chartered bank to the order of the Monitor, in trust for the benefit of the Vendors, or by wire transfer in immediately available funds to an account designated by the Monitor, in trust for the benefit of the Vendors.

### Section 3.10 Allocation of Purchase Price.

The Purchase Price shall be allocated among the Purchased Assets in accordance with an allocation to be proposed by the Purchaser on or before the Closing Date acceptable to the Vendors, acting reasonably, and which, when delivered, shall form Schedule 11 hereto. All Tax Returns and other statements made by the Parties shall be consistent with such allocation and the Parties shall not make any inconsistent written statement on any returns or during the course of any tax audit by any taxation authority except to the extent required by Law.

### Section 3.11 Issuance of Common Shares, Preferred Shares and Promissory Note.

The Common Shares, the Preferred Shares and the Promissory Note shall be issued by the Purchaser on such terms and conditions, and pursuant to such arrangements, as the Purchaser may deem satisfactory, in its sole and absolute discretion, to ensure that the Purchaser: (a) shall

not become, be deemed to be, or have any obligation to become a reporting issuer under any applicable laws; and (b) shall not become subject to any material obligation or liability under any applicable securities laws. For greater certainty, the Common Shares and the Preferred Shares may be subject to, among other things, restrictions on their transferability.

#### ARTICLE 4 ASSUMPTION OF LIABILITIES

##### Section 4.1 Assumed Liabilities.

(a) On the terms and subject to the conditions set forth in this Agreement, including without limitation Section 4.2 hereof, at the Closing, the Purchaser shall (or shall cause one or more of its Affiliates to) assume and agree to become responsible for, and perform, discharge and pay when due, only the following Liabilities of the Vendors (collectively, the "Assumed Liabilities"):

- (i) all Ordinary Course accounts payable and trade payables for goods provided and services rendered to the Vendors following the Filing Date in relation solely to the Purchased Assets to the extent such amounts are outstanding on Closing, excluding, for greater certainty, any and all Intercompany Receivables and Intercompany Liabilities;
- (ii) all Liabilities under the Contracts included in the Purchased Assets (to the extent assigned or transferred to the Purchaser on Closing), including Cure Costs;
- (iii) all Liabilities under agreements entered into by the Vendors following the Filing Date with certain critical suppliers as set out in Schedule 20;
- (iv) all Liabilities for Transactional Taxes payable in connection with the transactions contemplated by this Agreement as set forth in Section 11.1;
- (v) all Liabilities for the Realty Taxes;
- (vi) all Liabilities arising from ownership of the Purchased Assets from and after the Closing Date including the asset retirement obligations described in Schedule 15;
- (vii) all Liabilities under the Workers Compensation L/C relating to the U.S. Transferred Employees;
- (viii) all Liabilities arising from the employment of the Transferred Employees and the Unionized Employees from and after the Closing Date, including, in respect of Transferred Employees, the Benefit Plans, as applicable, only to the extent such Benefit Plans, as applicable, are assumed by the Purchaser pursuant to Section 7.3 of this Agreement. For greater certainty, any and all Liabilities under or in respect of any of the following shall not be Assumed Liabilities: (a) Liabilities under the Pension Plans;

(b) Liabilities under the Benefit Plans, to the extent such Benefits Plans are not assumed by the Purchaser pursuant to Section 7.3 of this Agreement; and (c) Liabilities in respect of Designated Employees in respect of the Juniper Mill who are not Transferred Employees. For the purposes of this Section 4.1(a)(viii), Benefit Plans shall not include the Post-Retirement Liabilities assumed in Section 4.1(a)(ix) of this Agreement; and

(ix) all Post-Retirement Liabilities.

(b) For greater certainty, the Purchaser shall not assume or be deemed by operation of any law or otherwise to have assumed any liabilities or obligations whatsoever in respect of or in connection with the Pension Plans or any other pension plan obligations or commitments of the Vendors or any of their Affiliates or Subsidiaries, whether now existing or hereafter arising.

#### Section 4.2 Quantification and Allocation of Assumed Liabilities

The quantification and allocation of the Assumed Liabilities shall be made in accordance with a quantification and allocation to be proposed by the Vendors on or before Closing acceptable to the Purchaser, in its sole discretion, and, when delivered, shall form Schedule 12 hereto.

#### Section 4.3 Excluded Liabilities.

Notwithstanding anything contained herein to the contrary, neither the Purchaser nor any of its Affiliates shall assume or be deemed to have assumed any Liabilities of the Vendors whatsoever other than the Assumed Liabilities, and the Vendors shall be and remain solely and exclusively liable with respect to all Liabilities of the Vendors other than the Assumed Liabilities (the "Excluded Liabilities"). Without limiting the generality of the foregoing, the Excluded Liabilities shall include:

- (a) any and all Liabilities related to any Excluded Asset;
- (b) any and all Intercompany Liabilities;
- (c) any and all Liabilities for or related to any obligation for any Taxes that are not expressly assumed by the Purchaser pursuant to Article 11 (including, for avoidance of doubt, any income or gross receipts Taxes imposed on any of the Vendors);
- (d) other than as specified in Section 4.1(a)(viii) and Section 4.1(a)(ix) of this Agreement, any and all Liabilities with respect to any Benefit Plan;
- (e) any and all Liabilities with respect to the Pension Plans;
- (f) any and all Taxes imposed on the Business or the Purchased Assets that is attributable to any pre-Closing tax period (other than any Transactional Taxes and any Realty Taxes referenced in Section 4.1(a)(iv) and Section 4.1(a)(v));

- (g) any and all Liabilities with respect to any Excluded Letter of Credit;
- (h) any and all Liabilities with respect to any current Employees or former Employees of the Vendors who are not Transferred Employees or Unionized Employees (regardless of when such Liability arises); and
- (i) any and all Liabilities of the Vendors arising under this Agreement or the Ancillary Agreements.

**ARTICLE 5**  
**REPRESENTATIONS AND WARRANTIES REGARDING THE PURCHASER**

The Purchaser hereby represents and warrants to the Vendors as of the date hereof as follows:

**Section 5.1 Organization.**

The Purchaser 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 Purchaser has the corporate power and authority necessary to (a) execute, deliver and perform its obligations under 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 Purchaser 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 Purchaser, the execution, delivery or performance of this Agreement, or any of the Ancillary Agreements by the Purchaser or the consummation of the transactions contemplated hereby and thereby to be consummated by it. The Purchaser 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 Purchaser is a party, by the Purchaser, the performance by the Purchaser of its obligations hereunder and thereunder and the consummation by the Purchaser 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 Purchaser. This Agreement constitutes and, as of the Closing each of the Ancillary Agreements will constitute, a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser 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 Purchaser.

### Section 5.3 Financing.

The Purchaser has sufficient funds available on hand to enable the Purchaser (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 Purchaser or any of its 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 Purchaser or any Affiliate of the Purchaser or any employee, officer, director, accountant, financial, legal or other Representative of the Purchaser or its 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 Purchaser, 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 each 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 Financial Statements.**

The Audited Financial Statements and the Unaudited Financial Statements have been prepared in accordance with generally accepted accounting principles (subject to usual year end adjustments in the case of the Unaudited Financial Statements) consistently applied throughout the periods indicated and fairly present the consolidated financial position of the Vendors and the consolidated results of the Vendors' operations in the Business as of the dates and throughout the periods indicated.

### **Section 6.4 Permits.**

Schedule 13 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. The Permits have been duly obtained and are to the knowledge of the Vendors, after reasonable inquiry, 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 6.5 Intellectual Property Matters**

Schedule 6 sets forth a true and complete list of all of the Intellectual Property, in each case which is owned or licensed by each of the Vendors as of the Effective Date and which is material to the conduct of the Business except only Intellectual Property the lack of which would not have, individually or in the aggregate, a Material Adverse Effect.

### **Section 6.6 Sufficiency of Purchased Assets.**

Except for the Excluded Assets and assets, the absence of which would not have, individually or in the aggregate, a Material Adverse Effect upon the Business and the Purchased Assets, will, as of the Closing Date, constitute all of the material assets and rights necessary to conduct the Business substantially as presently conducted by each of the Vendors.

**Section 6.7 Compliance with Laws.**

Except as set forth in Schedule 14, and except as would not, individually or in the aggregate, have a Material Adverse Effect, the Vendors have conducted and continue to conduct the business in accordance with all Laws and Orders applicable to the Business and the Vendors are not in violation of any Law or any Order applicable to the operation of the Business.

**Section 6.8 Title.**

The Vendors are the beneficial owners of the Purchased Assets, as applicable, and have good and marketable title thereto, subject to Encumbrances that will be discharged by the Vendors on Closing or pursuant to the Court Orders, and Permitted Encumbrances.

**Section 6.9 Environmental and Health and Safety Matters.**

(a) Except as set forth in Schedule 15 and except as would not, individually or in the aggregate, have a Material Adverse Effect:

- (i) neither the Vendors nor any other Person has emitted, discharged, deposited or released or caused or permitted to be emitted, discharged, deposited or released, any Substances on or to the Premises, or in connection with the operation of the Business, except in compliance with Environmental Law;
- (ii) the soil and subsoil, and the surface and ground water in, on or under the Premises do not contain any Substances, nor do the Premises contain any underground storage tanks; all Substances which have been or are being treated or stored on the Premises have been generated, treated and stored in compliance with Environmental Law;
- (iii) no polychlorinated biphenyls, asbestos containing materials, lead or urea-formaldehyde is or has ever been on, at, in or under the Premises;
- (iv) the Vendors have not permitted the Premises to be used for the disposal of any Substance;
- (v) all Environmental Permits obtained by the Vendors in connection with the Business (including any applicable expiry dates) are listed in Schedule 15 and are valid and in full force and effect; and
- (vi) there are no proceedings against or involving the Vendors either in progress, pending, or threatened which allege the violation of, or non-compliance with, any Environmental Law.

(b) Schedule 15 describes all Liabilities relating to the asset retirement obligations of the Vendors and an estimated amount of such asset retirement obligations as at the Effective Date or the most recent date of determination, where applicable, which amount shall be updated by the Vendors as of the Closing Date.

#### **Section 6.10 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 Purchased Assets, 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 are subject, (iii) any order of any Government Authority or Judicial Authority applicable to any Vendor or by which any of their respective properties or Purchased Assets are bound, or (iv) any Laws to which any of the Vendors, or any of the Purchased Assets 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 6.11 Contracts.**

(a) Schedule 2 lists the material Contracts of the Vendors in respect of the Business or the Purchased Assets as of the Effective Date.

(b) Except as disclosed in Schedule 2, each Contract: (i) is valid and binding on the applicable Vendor and is in full force and effect; and (ii) upon the consummation of the Transaction; except to the extent any Consents and Approvals are not obtained, shall continue in full force and effect without penalty or adverse consequence. Except as disclosed in Schedule 2, the Vendors are not in breach of, or default under, any Contract to which any of the them is a party, except for such breaches or defaults that would not have, individually or in the aggregate, a Material Adverse Effect.

#### **Section 6.12 Litigation.**

As of the date hereof, except for the CCAA Proceedings and the Bankruptcy Case and except as set forth in Schedule 16, there is no Action pending or, to the knowledge of the Vendors, threatened, against, involving or affecting the Business or the Purchased Assets which, if determined adversely, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. As of the date hereof, except for Orders and settlements entered in connection with the CCAA Proceedings and the Bankruptcy Case, there is no Order or settlement to which Vendors are subject that directly and materially affects or restricts the ownership of the Purchased Assets, the Assumed Liabilities or the Business, and no Action is pending or, to the knowledge of Vendors, threatened against the Vendors that questions the validity of this Agreement or the Ancillary Agreements or any action taken or to be taken by the Vendors in connection with this Agreement or the Ancillary Agreements.

### Section 6.13 Tax Liens.

Except (i) as set forth in Schedule 17; (ii) for the Realty Taxes; and (iii) for matters that would not have, individually or in the aggregate, a Material Adverse Effect, to the Vendors' knowledge: (i) all Tax Returns in respect of Taxes required to have been filed with respect to the Business or the Purchased Assets have been timely filed (taking into account any extension of time to file granted or obtained); (ii) all Taxes shown to be payable on such Tax Returns have been paid or will be timely paid; (iii) the Vendors have not received from any Governmental Authority any written notice of proposed adjustment, deficiency or underpayment of any Taxes related to the Business or the Purchased Assets, other than a proposed adjustment, deficiency or adjustment that has been satisfied by payment or settlement, or withdrawn and (iv) there are no Tax Encumbrances on any of the Purchased Assets (other than Permitted Encumbrances). As of the Effective Date, the amount outstanding for Realty Taxes is approximately Five Million Dollars (\$5,000,000), which amount shall be updated by the Vendors as of the Closing Date.

### Section 6.14 Lands.

Schedule 8 lists the street address of each parcel of real property in which the Vendors have fee title (or equivalent) interest, to the extent used in the conduct of the Business. Except as described in Schedule 8 or except as would not have, individually or in the aggregate, a Material Adverse Effect, the Vendors have title in fee simple to each such parcel free and clear of all Encumbrances, except Permitted Encumbrances and Encumbrances that will be discharged by the Vendors on Closing or pursuant to the Court Orders, and no such parcel has been classified as "Tree Growth", "Farmland", or "Open Space" property for tax purposes.

### Section 6.15 Employment Matters.

- (a) Schedule 18 sets forth a complete and accurate list of all Benefit Plans. Except as set out in Schedule 18:
  - (i) The Vendors have provided the Purchaser with a copy of each Benefit Plan and the material documents that support each Benefit Plan.
  - (ii) All Benefit Plans are, and have been, established, registered, qualified, administered, funded and invested in all material respects in accordance with the terms of such Benefit Plans including the terms of the material documents that support such Benefit Plans, any applicable Existing Collective Agreement and all applicable Laws.
  - (iii) There is no proceeding, action, suit or claim (other than routine claims for payments of benefits) pending or threatened involving any Benefit Plan or its assets.
- (b) Schedule 18 sets forth a complete and accurate list of Employees and individual independent contractors of the Vendors employed or engaged in relation to the Business and their material terms of employment including any employment agreements, retention, bonus or commission arrangements, and Existing Collective Agreements. Except as set out in Schedule 18:

- (i) The Vendors have provided the Purchaser with a copy of each material employment agreement and the Existing Collective Agreements relating to the Vendors.
  - (ii) The Vendors are and have been operated in all material respects in compliance with all applicable Laws relating to Employees.
  - (iii) There is no grievance, arbitration or other proceeding before any labour tribunal pending or threatened involving any Unionized Employee.
- (c) Schedule 18 describes all of the Employee Liabilities arising from the employment of the Transferred Employees and Unionized Employees and the amount of such Employee Liabilities as at the Effective Date or the most recent date of determination, where applicable, which amount shall be updated by the Vendors as of the Closing Date.
  - (d) Schedule 18 describes all of the Post-Retirement Liabilities and an estimated amount of such Post-Retirement Liabilities as at the Effective Date or the most recent date of determination, where applicable, which amount shall be updated by the Vendors as of the Closing Date.

#### Section 6.16 Timber Licences.

As of the Effective Date and as of the Closing Date:

(a) FPI is the sole and exclusive licensee under the Timber Licence and true and complete copies thereof have been provided to the Purchaser. FPI is listed in the records of the Ministry of Natural Resources of New Brunswick as the holder thereof; the Timber Licence is validly subsisting and in good standing; no notice of suspension or cancellation of the Timber Licence is outstanding; and no rights of FPI under the Timber Licence are under suspension, in whole or in part, under the New Brunswick *Crown Lands and Forests Act*, Chapter C-38.1 and, to the knowledge of FPI, after reasonable inquiry, no fact or event has occurred or could reasonably be expected to result in any such suspension or cancellation;

(b) FPI has not received any notice or advice from any Governmental Authority indicating that the annual allowable cut of the Timber Licence may be reduced and, to the knowledge of FPI after reasonable inquiry, there is no reason to believe that such reduction may be forthcoming; and

(c) There are no contracts or agreements that commit the use or disposition of timber or logs harvested under the Timber Licence.

#### Section 6.17 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 6.18 Operation of the Business.

Except as set forth in Schedule 19 and except where no Material Adverse Effect, individually or in the aggregate, would result, since the Filing Date, the Vendors have conducted the Business and operated its properties in the Ordinary Course consistent with past practice and there has been no damage to or loss affecting any portion of the Purchased Assets or any Purchased Asset (regardless of whether such damage or loss is covered by insurance).

### Section 6.19 Non Residents

None of the Purchased Assets held by any of the Vendors, other than FPI and FPS Canada, is taxable Canadian property, as defined in subsection 248(1) of the *Income Tax Act* (Canada).

### Section 6.20 Schedules.

Schedules 1, 4, 5, 7 and 10 hereto contain materially true and complete listings and descriptions of, respectively, Accounts Receivable, Excluded Letters of Credit, Fixed Assets, Inventory and Workers Compensation L/C, in each case as at the Effective Date.

### Section 6.21 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 and shall continue for the Holdback Period.

## ARTICLE 7 EMPLOYEE MATTERS

### Section 7.1 Offers of Employment.

(a) The Purchaser shall become the successor employer in respect of the Unionized Employees for the purposes of applicable Law and accordingly shall be bound by and comply with the terms of the Amended Canadian Collective Agreements including continuing the employment after the Closing Date of any Unionized Employee covered by the Amended Canadian Collective Agreements effective as at the Closing Date.

(b) The Purchaser shall, effective as at the Closing Date, assume all liabilities and obligations of the Vendors in respect of all of the Unionized Employees covered by the New U.S. Collective Agreements. It is specifically understood that as to any Unionized Employees covered by the New U.S. Collective Agreements that all such employees shall be retained by the Purchaser, the Purchaser shall recognize the employee's labour organization as their exclusive bargaining representative, and shall recognize and assume the New U.S. Collective Agreements and all obligations of the employer thereunder.

(c) The Purchaser shall, effective as at the Closing Date, offer to employ the Designated Employees on terms and conditions of employment substantially similar in the

aggregate, including salary, incentive compensation and benefits, to those currently available to such Canadian Employees and the Purchaser shall assume all unpaid vacation pay up to the Closing Date for each Canadian Transferred Employee. Notwithstanding the foregoing or anything else in this Agreement, all offers of employment to Designated Employees whose employment relates to the Juniper Mill shall be conditional on the Juniper Mill re-starting prior to 12 months from the Closing Date.

(d) The Vendors and the Purchaser acknowledge that the transactions contemplated by this Agreement shall not constitute a severance of employment of any Designated Employee in the U.S. 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.

(e) The Purchaser agrees 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 U.S. Transferred Employees (including as a result of the consummation of the transactions contemplated by this Agreement) and occurring on or after the Closing Date. The Purchaser shall not take any action after the Closing Date that would cause any termination of employment of any employees by the Vendors that occur on or before the Closing Date to constitute a "plant closing" or "mass layoff" under the WARN Act or any similar statute, or to create any liability to the Vendors for any employment terminations under Applicable Law. Between the Effective Date and the Closing Date, the Vendors shall not, without the Purchaser's consent, which consent may be withheld in the Purchaser's sole and absolute discretion, take any action whatsoever that would cause any termination of employment of any U.S. Employees by the Vendors during such period of time that would constitute a "plant closing" or "mass layoff" under the WARN Act or any similar statute.

## Section 7.2 Information from Vendors.

The Vendors shall provide the Purchaser with the Vendors' books and records relating to the Transferred Employees and the Unionized Employees and such other data and information as the Purchaser may reasonably require. The Vendors shall also, at the request of the Purchaser made at any time, provide such authorizations as may be necessary for the Purchaser to gain access to files maintained by the Canada Revenue Agency or such other relevant Governmental Authority. Such requests by the Purchaser shall be funded at the expense of the Purchaser to the extent it will cause the Vendors to incur any time and costs related to these activities.

## Section 7.3 Employee Benefit Plans.

The Transferred Employees and the Unionized Employees shall cease to accrue benefits under all Benefit Plans and Pension Plans effective as of the Closing Date. Notwithstanding the foregoing, the Purchaser may assume any of the Vendors' Benefit Plans, effective as of the Closing Date, provided that the Purchaser notifies the Vendors in writing prior to the Closing Date with respect to such assumption. The Vendors and the Purchaser agree to take any actions

required to give effect to the assignment and assumption of any applicable Benefit Plan of the Vendors.

#### **Section 7.4 Responsibility for Accrued Claims.**

Except to the extent assumed by the Purchaser pursuant to Section 4.1 of this Agreement, the Vendors shall retain responsibility for all amounts payable by reason of or in connection with any and all claims incurred under the Benefit Plans, the Pension Plans and the Existing Collective Agreements by the Transferred Employees and the Unionized Employees (and their respective eligible dependants) on or prior to the Closing Date whether such claims are reported before or after the Closing Date.

#### **Section 7.5 Privacy Laws.**

The Purchaser will, following the Closing, observe all requirements of any applicable Privacy Law with respect to the Personal Information relating to the Transferred Employees and the Unionized Employees transferred from the Vendors to the Purchaser pursuant to this Agreement.

#### **Section 7.6 Hourly Employees Pension Plan.**

(a) The Purchaser shall, effective as of the start of business on the Closing Date, establish and file with the applicable Governmental Authority a new defined contribution registered pension plan (the "New Hourly DC Plan") to provide benefits for the Transferred Hourly Employees who, immediately prior to the Closing Date, were members of or were in a category eligible for membership in, the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc., Reg. #0251264 (the "Old FP Hourly Plan"). The provisions of the New Hourly DC Plan shall, except as otherwise consented to by the Vendors, contain defined contribution provisions substantially similar to those in effect under the Old FP Hourly Plan on or immediately prior to the Closing Date.

(b) Effective as of the Closing Date, each Transferred Hourly Employee who is a member of the Old FP Hourly Plan shall cease to actively participate in the Old FP Hourly Plan and shall commence participation in the New Hourly DC Plan. For each such Transferred Hourly Employee, the New Hourly DC Plan, only for the purposes of vesting and eligibility for benefits, will recognize the period of service recognized under the Old FP Hourly Plan.

(c) All pension benefits accrued in respect of service prior to the Closing Date by a Transferred Hourly Employee under the Old FP Hourly Plan shall remain the sole responsibility of FPI and shall be sponsored and administered by FPI. For greater certainty, the Purchaser will not assume or have any liability for the funding or payment of any pension benefits accrued by the Transferred Hourly Employees under the Old FP Hourly Plan, while that plan is ongoing or upon the wind up of the Old FP Hourly Plan.

#### **Section 7.7 Salaried Employees Pension Plan.**

(a) The Purchaser shall, effective as of the start of business on the Closing Date, establish and file with the applicable Governmental Authority a new defined contribution

registered pension plan (the "New Salaried DC Plan") to provide benefits for the Transferred Salaried Employees who, immediately before the Closing Date, were members or were in a category eligible for membership in the Nexfor Inc., Fraser Operations, Salaried Pension Plan (the "Old FP Salaried Plan"). The provisions of the New Salaried DC Plan shall, except as otherwise consented to by the Vendors, contain defined contribution provisions substantially similar to those in effect under the Old FP Salaried Plan on or immediately prior to the Closing Date.

(b) Effective as of the Closing Date, each Transferred Salaried Employee who is a member of the Old FP Salaried Plan will cease to actively participate in the Old FP Salaried Plan and shall commence participation in the New Salaried DC Plan. For each such Transferred Salaried Employee, the New Salaried DC Plan, only for the purposes of vesting and eligibility for benefits, will recognize the period of service recognized under the Old FP Salaried Plan.

(c) All pension benefits accrued in respect of service prior to the Closing Date of a Transferred Salaried Employee under the Old FP Salaried Plan shall remain the sole responsibility of FPI and will be sponsored and administered by FPI. For greater certainty, the Purchaser will not assume or have any liability for funding or payment of any pension benefits accrued by Transferred Salaried Employees under the Old FP Salaried Plan, while that plan is ongoing or upon the wind up of the Old FP Salaried Plan.

#### Section 7.8 U.S. Pension Plan

(a) The Purchaser shall, effective as of the start of business on the Closing Date, establish a new profit sharing and 401(k) plan, or other defined contribution retirement plan (the "US DC Plan") to provide benefits for the U.S. Transferred Employees who, immediately prior to the Closing Date, were participants in the US Pension Plan. The US DC Plan will be qualified under Sections 401 and 501 of the US Internal Revenue Code.

(b) Effective as of the Closing Date, each U.S. Transferred Employee who is a participant in the U.S. Pension Plan shall cease to be an active participant in the U.S. Pension Plan and shall commence participation in the US DC Plan. For each such U.S. Transferred Employee, the US DC Plan, only for the purposes of vesting and eligibility for benefits, will recognize the period of service recognized under the US Pension Plan.

(c) All pension benefits accrued in respect of service prior to the Closing Date by a U.S. Transferred Employee under the U.S. Pension Plan shall remain the sole responsibility of the Vendors and shall be sponsored and administered by the Vendors. For greater certainty, the Purchaser will not assume nor have any liability for the funding or payment of any pension benefits accrued by U.S. Transferred Employees under the U.S. Pension Plan.

**ARTICLE 8**  
**ADDITIONAL AGREEMENTS OF THE PARTIES**

**Section 8.1 Conduct by the Purchaser.**

The Purchaser 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 Purchaser shall, and shall cause its 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 Orders of the Canadian Court and Bankruptcy Court and subject to the express provisions of this Agreement, the Purchaser shall use commercially reasonable efforts (i) to perform and satisfy all conditions to each of the Purchaser's obligations to consummate the transactions contemplated by this Agreement that are to be performed or satisfied by the Purchaser under this Agreement, and (ii) to cause the Closing to occur as promptly as reasonably practicable and the Purchaser shall not, and shall not permit any of its Affiliates to, intentionally take any action that is reasonably likely to prevent or delay the consummation of the transactions contemplated hereby.

**Section 8.2 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 use best efforts to refrain from taking any action that would cause any representation or warranty contained in Article 6 to be untrue or incorrect as of the Closing; and

(b) subject to the Orders of the Canadian Court and Bankruptcy Court and the express provisions of this Agreement, each of the Vendors shall use best 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 its Affiliates to, intentionally take any action that is reasonably likely to prevent or delay the consummation of the transactions contemplated hereby.

### Section 8.3 Conduct of Business.

Subject to any Order of the Canadian Court or the Bankruptcy Court, 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, each of the Vendors shall, and shall cause its Affiliates to, except as may otherwise be consented to by the Purchaser, in writing, acting reasonably, in its sole and absolute discretion: (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 Purchaser, 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 Purchased Assets, the Assumed Liabilities or the Business unless such Order is satisfactory to the Purchaser, in its sole and absolute discretion.

### Section 8.4 Sales Process

Each of the Vendors covenants and agrees to comply with and follow the Sales Process.

### Section 8.5 Access to Information.

Prior to the Closing, the Vendors shall, and shall cause their Subsidiaries to, (i) give the Purchaser and its authorized Representatives, upon reasonable advance notice and during regular business hours, reasonable access to all books, records, personnel, officers and other facilities and properties of the Business, (ii) permit the Purchaser to make such copies and inspections thereof, upon reasonable advance notice and during regular business hours, as the Purchaser may reasonably request, (iii) grant the Purchaser and its Representatives reasonable access to each of the facilities of the Business where Purchased Assets are 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 Purchaser 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 Purchaser may from time to time reasonably request; provided, however, that any such access shall be conducted at the Purchaser'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 their Affiliates.

### Section 8.6 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 Purchased Assets 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 8.7 Maintenance of Books and Records; Access after Closing.**

The Purchaser 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 Purchaser 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 8.8 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 Purchaser, in its sole and absolute discretion.

#### **Section 8.9 Accounts Receivable.**

The Vendors agree that the Purchaser shall have the right after the Closing to endorse all payments received in respect of any of the Accounts Receivable in the name of the Vendors and to deposit the same into the Purchaser's bank accounts. The Vendors shall deliver at the Closing such resolutions or other documents as the Purchaser may reasonably request in order to permit the implementation of the provisions of this Section.

#### **Section 8.10 Insurance**

Prior to Closing, the Parties shall enter into commercial arrangements acceptable to the Vendors and the Purchaser to amend, modify, replace or apportion existing policies of insurance maintained by the Vendors in respect of the Purchased Assets and/or the Business on such terms and such conditions as may be acceptable to the Vendors and the Purchaser, each acting reasonably.

#### **Section 8.11 Vendors' Post-Closing 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 a plan or plans of compromise or arrangement in respect of any such Vendor under the CCAA

Proceedings, any recognition proceedings under the Bankruptcy Case, or any other applicable Law or proceeding.

## ARTICLE 9 COURT APPROVAL

### Section 9.1 Canadian Approval and Sales Process Order.

As promptly as practicable, but in any event no later than December 5, 2009, the Vendors shall file with the Canadian Court a motion (the "Canadian Approval and Sales Process Order Motion") and a proposed order seeking: (a) approval of the execution, delivery and performance of this Agreement, including payment of the Termination Fee; and (b) approval of a process for the sale of the Purchased Assets, such order to be in the form and on terms as the Purchaser may reasonably require (as approved, the "Canadian Approval and Sales Process Order").

### Section 9.2 Canadian Approval and Vesting Order.

As promptly as practicable, but in any event no later than two (2) Business Days from the date of the completion of the Sales Process, the Vendors shall file with the Canadian Court a motion (the "Canadian Approval and Vesting Order Motion") seeking an order of the Canadian Court: (a) finally approving this Agreement, as it may be amended pursuant to the Sales Process; and the transactions contemplated herein following the Sales Process; and (b) vesting of the Purchased Assets in the Purchaser, free and clear of all Encumbrances, except Permitted Encumbrances, such order to be in the form and on terms as the Purchaser may reasonably require (as approved, the "Canadian Approval and Vesting Order").

### Section 9.3 U.S. Approval and Sales Process Recognition Order.

As promptly as practicable, but in no event later than two (2) Business Days after the Canadian Approval and Sales Process Order is entered, the Vendors shall file with the Bankruptcy Court a motion (the "U.S. Approval and Sales Process Recognition Motion") and a proposed order seeking recognition of the Canadian Approval and Sales Process Order, such order to be in the form and on terms as the Purchaser may reasonably require (as approved, the "U.S. Approval and Sales Process Recognition Order").

### Section 9.4 U.S. Approval and Vesting Recognition Order

(a) As promptly as practicable, but in any event no later than two (2) Business Days after the Canadian Approval and Vesting Order is entered, the Vendors shall file with the Bankruptcy Court a motion (the "U.S. Approval and Vesting Recognition Motion") and a proposed order seeking recognition of the Canadian Approval and Vesting Order and vesting of the Purchased Assets in the Purchaser free and clear of all Encumbrances, other than Permitted Encumbrances, such order to be in the form and on terms as the Purchaser may reasonably require (as approved, the "U.S. Approval and Vesting Recognition Order").

(b) The Vendors shall provide notice of the U.S. Approval and Sales Process Recognition Motion and the U.S. Approval and Vesting Recognition Motion to: (i) all Tax authorities or recording offices which have a reasonably known interest in the relief requested,

(ii) the United States Trustee for the District of Delaware in the Bankruptcy Case, (iii) the Monitor, (iv) counsel to the DIP Lenders, (v) all federal, state, and local regulatory authorities with jurisdiction over the Vendors, (vi) all non-debtor parties to the Contracts, (vii) any entity known or believed to have an Encumbrance on any Purchased Asset owned by the Vendors and any entity that has asserted a Encumbrance on any Purchased Asset owned by the Vendors, (ix) each of the entities that had received an invitation from the Vendors to acquire or had previously expressed an interest in acquiring the Purchased Assets; and (x) the general service list established in the Bankruptcy Case pursuant to Bankruptcy Rules.

## ARTICLE 10 CONDITIONS TO CLOSING

### Section 10.1 Conditions for the Benefit of the Purchaser.

The obligations of the Purchaser to consummate the transactions contemplated hereby are, unless waived by the Purchaser, subject to the fulfillment, at or before the Closing or as otherwise specified below, of each of the following conditions:

(a) except for such changes as are permitted or required pursuant to the terms hereof, either (i) the representations and warranties of the Vendors set forth in Article 6 shall be true and correct in all material respects (except that those representations and warranties which are (x) not qualified as to materiality or Material Adverse Effect or similar expressions; or (y) qualified as to knowledge, shall be true and correct in all respects) as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing (except for representations and warranties that are made as of a particular date specified therein, which representations and warranties shall be true and correct in all material respects as of such date), or (ii) if there is any breach of, or inaccuracy in, the representations and warranties of the Vendors set forth in Article 6 (without giving effect to any qualification as to materiality or Material Adverse Effect or knowledge or similar expressions) as of the Closing Date, then such breach or inaccuracy (or the fact or circumstance to which such breach or inaccuracy relates) shall not have, and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect;

(b) any of the Schedules provided on or before the Effective Date and required to be updated and delivered for Closing pursuant to the terms of this Agreement shall not contain any new information at Closing not otherwise available to or disclosed to the Purchaser, which information 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 performed and complied with all covenants and agreements set forth in this Agreement required to be performed or complied with by the Vendors prior to or concurrently with the Closing;

(e) the Purchaser shall have received the Ancillary Agreements required to be delivered to it by the Vendors at or before the Closing pursuant to this Agreement duly executed by all necessary Persons (other than the Purchaser) and in form and content satisfactory to the Purchaser, in its sole and absolute discretion;

(f) the Canadian Court shall have entered the Canadian Approval and Sales Process Order; and (ii) the Bankruptcy Court shall have entered the U.S. Approval and Sales Process Recognition Order, which orders shall not have been stayed, modified or amended in any way;

(g) the Canadian Court shall have entered the Canadian Approval and Vesting Order; and (ii) the Bankruptcy Court shall have entered the U.S. Approval and Vesting Recognition Order, which orders shall be in form and content satisfactory to the Purchaser, in its sole and absolute discretion, and shall have become Final Orders, and shall not have been stayed, modified or amended in any way, provided, however, that after entry of the Canadian Approval and Vesting Order and the U.S. Approval and Vesting Recognition Order, the Purchaser, in its sole and absolute discretion, shall have the right, but not the obligation, to waive the requirement that the Canadian Approval and Vesting Order and the U.S. Approval and Vesting Recognition Order become Final Orders;

(h) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement;

(i) 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 Purchaser and the Vendors shall have entered into the Ancillary Agreements;

(j) satisfaction of the Purchaser, in its sole and absolute discretion, that it is not assuming any Liabilities and will not be liable for any Liabilities of the Vendors in respect of, in connection with or otherwise related to the Purchased Assets or the Business upon and after the Closing of the transactions contemplated herein and the Ancillary Agreements, other than the Assumed Liabilities solely as specifically and expressly provided for in this Agreement;

(k) the DIP Lenders shall have consented to this Agreement and the Transaction and Brookfield and CIT shall have entered into revised intercreditor and related arrangements arising from the fact that each will be a DIP Lender to the Vendors after the Closing Date;

(l) FPI and NB Power shall have entered into arrangements satisfactory to the Purchaser in its sole and absolute discretion;

(m) on or before the earlier of February 10, 2010 (or such later date to which the deadline for submitting unconditional qualifying offers in the Sales Process may be extended) and Closing, the Purchaser shall have entered into a binding agreement with CIT in form and content satisfactory to the Purchaser, in its sole and absolute discretion, providing for a revolving credit facility (the "CIT Exit Facility") in the minimum amount of \$50,000,000

secured by accounts receivable and inventory. The minimum availability under the CIT Exit Facility on Closing shall be \$25,000,000;

(n) Her Majesty in Right of Canada, as represented by the Minister of Natural Resources Canada, shall have confirmed in form satisfactory to the Purchaser that FPI has qualified for the PPGTP Credits in the minimum amount of Twenty-Three Million Dollars (Cdn.\$23,000,000) and that such credits are validly transferred and assigned to the Purchaser on Closing;

(o) the Vendors shall have legally amended the Existing U.S. Collective Agreements with the Unions on such terms as may be acceptable to the Purchaser in its sole and absolute discretion by January 15, 2010 (the "New U.S. Collective Agreements");

(p) the amount of the Assumed Liabilities on Closing shall not exceed \$48,000,000;

(q) the Existing Canadian Collective Agreements shall have been legally amended such that the Purchaser shall have no liability for any Pension Plan (the "Amended Canadian Collective Agreements");

(r) the Purchaser shall be satisfied, in its sole and absolute discretion, that the Purchaser shall have no liability or obligations whatsoever for any Pension Plan of the Vendors;

(s) at the option of the Purchaser, the Pension Plans will be wound up or otherwise dealt with to the sole and absolute satisfaction of the Purchaser on or before the Closing Date;

(t) all Consents and Approvals shall have been obtained or filed, on terms and conditions satisfactory to the Purchaser in its sole discretion in respect of the Purchased Assets, including, without limitation, the Contracts, the Permits, the Timber Licences and the PPGTP Credits, and the Purchaser shall be satisfied that such Purchased Assets are validly transferred or assigned to the Purchaser on Closing;

(u) the Unions, whose members participate in the Old Hourly FP Plan or the U.S. Pension Plan, shall have confirmed in a form satisfactory to the Purchaser, in its sole and absolute discretion, that neither the Purchaser, nor its officers, directors, employees, agents or delegates, nor the officers, directors, employees, agents or delegates of the Vendors, shall have any liabilities with respect to the Old FP Hourly Plan or the U.S. Pension Plan, as applicable;

(v) no Material Adverse Effect shall, individually or in the aggregate; have occurred between the Effective Date and the Closing Date; and

(w) delivery of legal opinions from the Vendors' counsel confirming that on Closing and upon the consummation of the transactions contemplated in the Agreement and the Ancillary Agreements, the Purchaser should not be liable for and should not assume any liabilities whatsoever, whether by operation of law or otherwise, under or pursuant to the Pension Plans or the Existing Collective Agreements.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser 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 3.2, subject to adjustment as set forth in Section 3.8;

(b) the representations and warranties of the Purchaser set forth in Article 5 shall be true and correct in all material respects (except that those representations and warranties which are qualified as to materiality or similar expressions shall be true and correct in all respects) on and as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing (except for representations and warranties that are made as of a particular date specified therein, which representations and warranties shall be true and correct in all material respects as of such date);

(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 Purchaser shall have performed and complied in all material respects with all covenants and agreements set forth in this Agreement required to be performed or complied with by the Purchaser prior to or concurrently with the Closing;

(e) each of the Vendors shall have received the Ancillary Agreements required to be delivered to it by the Purchaser at or before the Closing pursuant to this Agreement duly executed by all necessary Persons (other than the Vendors);

(f) each of the Vendors shall have approved as to form, substance and legality all actions, proceedings, instruments and documents required to complete the Transaction, including this Agreement and the Ancillary Agreements;

(g) (i) the Canadian Court shall have entered the Canadian Approval and Sales Process Order; and (ii) the Bankruptcy Court shall have entered the U.S. Approval and Sales Process Recognition Order, which orders shall not have been stayed, modified or amended in any way;

(h) (i) the Canadian Court shall have entered the Canadian Approval and Vesting Order; and (ii) the Bankruptcy Court shall have entered the U.S. Approval and Vesting Recognition Order, which orders shall have become Final Orders, and shall not have been stayed, modified or amended in any way, provided, however, that after entry of the Canadian Approval and Vesting Order and the U.S. Approval and Vesting Recognition Order, the

Purchaser, in its sole discretion, shall have the right, but not the obligation, to waive the requirement that the Canadian Approval and Vesting Order and the U.S. Approval and Vesting Recognition Order become Final Orders; and

(i) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of the Vendors. Any condition 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 TAXES

### Section 11.1 Payment of Taxes and Other Costs.

The Purchaser shall assume and become solely liable for and will pay or cause to be paid all of its own Transactional Costs (except with respect to expenses provided for and subject to Section 16.3 of this Agreement) and Transactional Taxes payable under any Law on or with respect to the sale and purchase of the Purchased Assets under this Agreement. On the Closing Date, the Purchaser will either pay the Transactional Taxes to the Vendors or deliver to the Vendors evidence confirming the Purchaser's payment of or exemption from payment of the Transactional Taxes in form and substance acceptable to the Vendors, acting reasonably. The Purchaser will prepare and file any affidavits or returns required in connection with the foregoing at its own cost and expense. To the extent that any Transactional Taxes are required to be paid by or are imposed upon the Vendors, the Purchaser will reimburse to the Vendors such taxes within five (5) Business Days of payment of such taxes by the Vendors. The Purchaser will indemnify and hold the Vendors harmless in respect of any Transactional Taxes.

### Section 11.2 Elections.

(a) The Vendors and the Purchaser will on or before the Closing Date jointly execute an election, if available, in the prescribed form and containing the prescribed information, to have subsection 167(1.1) of the *Excise Tax Act* (Canada) apply to the sale and purchase of the Purchased Assets hereunder so that no tax is payable in respect of such sale and purchase under Part IX of the *Excise Tax Act* (Canada). The Purchaser will file such election with the Minister of National Revenue within the time prescribed by the *Excise Tax Act* (Canada).

(b) The Vendors and the Purchaser agree to make, execute and file with the appropriate taxing authorities such other elections or purchase exemption certificates as the parties hereto agree are mutually desirable, if any, in prescribed form and within the prescribed time. After the Closing, the Purchaser shall make or cause to be made all necessary filings with respect to all Transactional Costs and Transactional Taxes. Promptly after the Closing, the Purchaser shall reimburse the Vendors for all deposits, prepayments or advances which the Vendors may have made with respect to Transactional Taxes, other than any such deposits, prepayments or advances that are Excluded Assets.

(c) Notwithstanding anything to the contrary in this Section 11.2, the Purchaser shall indemnify and hold the Vendors harmless in respect of any goods and services tax, sales tax, penalties, interest and other amounts or Taxes which may be assessed against the Vendors as a result of the transactions under this Agreement not being eligible for such elections provided for in this Section 11.2 or as a result of the Purchaser's failure to file the elections within the prescribed time.

## 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 sale of the Purchased Assets and the assumption of the Assumed Liabilities contemplated hereby (the "Closing") shall take place at the offices of ThorntonGroutPinnigan LLP, located at Suite 3200, 100 Wellington St. West, Toronto-Dominion Centre, Toronto, Ontario, M5K 1K7, or such other place as the Purchaser 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 Purchaser 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 Purchaser:

(a) a General Conveyance and Assumption of Liabilities Agreement, together with such other deeds of conveyance (in the case of the Lands relating to the Madawaska Assets and the Madawaska Mill, one or more quitclaim deed with covenant), bills of sale, assurances, transfers, assignments, consents, and such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transactions provided for in this Agreement;

(b) 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;

(c) the Schedules to this Agreement updated and delivered for Closing pursuant to the terms of this Agreement in form and content satisfactory to the Purchaser, in its sole and absolute discretion;

(d) 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;

(e) a certified copy of the Canadian Approval and Sales Process Order and the Canadian Approval and Vesting Order;

(f) a certified copy of the U.S. Approval and Sales Process Recognition Order and the U.S. Approval and Vesting Recognition Order;

(g) to the extent available, the originals and, if originals are not available, copies of the Books and Records;

(h) the Consents and Approvals;

(i) a certified copy of the Amended Canadian Collective Agreements;

(j) a certified copy of the New U.S. Collective Agreements;

(k) an executed copy of the Monitor's Certificate;

(l) legal opinions referred to in Section 10.1(w);

(m) if applicable, a certificate issued by Maine Revenue Services certifying that the sale of the Lands relating to the Madawaska Assets and/or the Madawaska Mill is exempt from Maine income tax withholding under 36 M.R.S. § 5250 A;

(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 Purchaser, as may be contemplated by this Agreement or as the Purchaser may reasonably request.

### Section 12.3 Closing Deliveries of the Purchaser.

At the Closing, the Purchaser shall deliver, or cause to be delivered, to the Vendors:

(a) payment of the Purchase Price as set forth in Section 3.2;

(b) an executed copy of a General Conveyance and Assumption of Liabilities Agreement duly executed by the Purchaser;

(c) a counterpart signature page to each Ancillary Agreement, duly executed by the Purchaser;

(d) payment or evidence of payment of applicable Transactional Taxes or alternatively, appropriate exemption certificates, as required under this Agreement;

(e) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Purchaser 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;

- Vendors;
- (f) the Promissory Note payable to the Monitor, in trust for the benefit of the Vendors;
  - (g) the Preferred Shares issued in the name of GNB or to a trustee on its behalf;
  - (h) the Common Shares issued in the name of the Monitor, in trust for the benefit of the Vendors;
  - (i) 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
  - (j) 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 Purchaser and the Vendors, as applicable, conveying the Lands relating to the Madawaska Assets and/or the Madawaska Mill 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 Purchaser and the Vendors, 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).

#### Section 12.5 Possession.

The Purchaser shall be entitled to vacant possession of the Purchased Assets on and after Closing. The Vendors shall deliver to the Purchaser on Closing such keys, lock and safe combinations and other similar items as the Purchaser may require to obtain immediate and full occupation, possession and control of the Purchased Assets.

### ARTICLE 13 INDEMNIFICATION

#### Section 13.1 Indemnification by the Vendors

The Vendors shall, jointly and severally, indemnify and save the Purchaser harmless for and from:

- (a) all losses, costs and damages suffered by the Purchaser as a result of any breach of representation, warranty or covenant on the part of any of the Vendors contained in this Agreement, the Ancillary Agreements, or in any certificate, document or instrument delivered to the Purchaser hereunder or thereunder;
- (b) all losses, costs and damages suffered by the Purchaser as a result of the failure of any of the Vendors to perform any of its obligations relating to or in respect of the Business not assumed by the Purchaser pursuant to this Agreement or any Ancillary Agreement;

(c) all losses, costs and damages suffered by the Purchaser as a result of the failure of any of the Vendors to perform any of its obligations arising under contracts or other agreements assumed by the Purchaser pursuant to this Agreement or any Ancillary Agreement, but relating to or arising out of action or inaction of the Vendors and relating to events which occurred prior to the Closing Date (for greater certainty, not including the Assumed Liabilities);

(d) all losses, costs and damages suffered by the Purchaser (for greater certainty, not including the Assumed Liabilities) arising from the Vendors' operation of the Business prior to the Closing Date;

(e) all losses, costs and damages suffered by the Purchaser as a result of any failure of the Vendors to transfer legal and beneficial ownership of the Purchased Assets to the Purchaser free and clear of all Encumbrances, except Permitted Encumbrances; and

(f) all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

### Section 13.2 Indemnification by the Purchaser

The Purchaser shall indemnify and save the Vendors harmless for and from:

(a) all losses, costs and damages suffered by the Vendors as a result of any breach of representation, warranty or covenant on the part of the Purchaser contained in this Agreement or in any certificate, document or instrument delivered to the Vendors hereunder;

(b) all losses, costs and damages suffered by the Vendors as a result of the Purchaser's failure to pay, discharge or perform any of the Assumed Liabilities; and

(c) all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

### Section 13.3 Notice of Claim

If the Purchaser or the Vendors wish to make a claim for indemnification (a "Claim") pursuant to this Article 13 (such party herein called the "Indemnified Party") against the Vendors, on the one hand, or the Purchaser, on the other hand (the party or parties against whom the claim is made herein called the "Indemnifying Parties"), the Indemnified Party shall promptly give notice to the Indemnifying Parties of the Claim. Such notice shall specify whether the Claim originates with the Indemnified Party (an "Original Claim") or with a Person other than the Indemnified Party (a "Third Party Claim"), and shall also specify with reasonable particularity (to the extent that the information is available):

(a) the factual basis for the Claim; and

(b) the amount of the Claim, or, if an amount is not then determinable, an approximate and reasonable estimate of the potential amount of the Claim.

#### Section 13.4 Original Claims

Following receipt of notice of an Original Claim from an Indemnified Party, the Indemnifying Parties shall have 30 days to make such investigation of the Original Claim as the Indemnifying Parties consider necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Parties the information relied upon by the Indemnified Party to substantiate the Original Claim. If the Indemnified Party and the Indemnifying Parties agree at or prior to the expiration of such 30 day period (or any mutually agreed upon extension thereof) to the validity and amount of the Original Claim, the Indemnifying Parties shall immediately pay to the Indemnified Party the full agreed upon amount of the Original Claim. If the Indemnified Party and the Indemnifying Parties do not agree within such period (or any mutually agreed upon extension thereof), the Indemnifying Parties and the Indemnified Party agree that the dispute shall be submitted for dispute resolution in accordance with Article 14 set out herein.

#### Section 13.5 Third Party Claims.

With respect to any Third Party Claim, the Indemnifying Parties shall have the right, at their own expense, to participate in or assume control of the negotiation, settlement or defence of the Third Party Claim and, in such event, the Indemnifying Parties shall reimburse the Indemnified Party for all of the Indemnified Party's out-of-pocket expenses as a result of such participation or assumption. If the Indemnifying Parties elect to assume such control, the Indemnified Party shall cooperate with the Indemnifying Parties, shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim at its own expense and shall have the right to disagree on reasonable grounds with the selection and retention of counsel, in which case counsel satisfactory to the Indemnifying Parties and the Indemnified Party shall be retained by the Indemnifying Parties.

#### Section 13.6 Additional Rules and Procedures

The obligation of the Parties to indemnify each other pursuant to this Article shall also be subject to the following:

(a) any Claim arising as a result of a breach of a representation or warranty contained in Article 5 or Article 6 shall be made during the Holdback Period.

(b) in the event that any Third Party Claim is of a nature such that the Indemnified Party is required by applicable law to make a payment to a Third Party with respect to such Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Parties shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for any such payment. If the amount of any liability under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Parties to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay such difference to the Indemnifying Parties.

(c) the Indemnified Party shall not negotiate, settle, compromise or pay any Third Party Claim except with the prior written consent of the Indemnifying Parties (which consent shall not be unreasonably withheld).

(d) the Indemnified Party shall not permit any right of appeal in respect of any Third Party Claim to terminate without giving the Indemnifying Parties notice thereof and an opportunity to contest such Third Party Claim.

(e) the Purchaser and the Vendors shall cooperate fully with each other with respect to Third Party Claims, shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available) and shall each designate a senior officer who will keep himself informed about and be prepared to discuss the Third Party Claim with his counterparts and with counsel at all reasonable times.

(f) the Indemnifying Parties shall not settle any Third Party Claim or conduct any related legal or administrative proceeding in a manner which would, in the opinion of the Indemnified Party, acting reasonably, have a material adverse impact on the Indemnified Party.

#### Section 13.7 Indemnification Claims

(a) Except for fraud, fraudulent misrepresentation, or intentional breach, and except as provided in Section 15.3 and Section 16.3 of this Agreement, the Parties agree that Article 13 sets out the sole and exclusive manner by which the Purchaser may seek monetary compensation from the Vendors, or by which the Vendors may seek monetary compensation from the Purchaser, for any matter in respect of which the Purchaser or the Vendors may make a Claim under Section 13.1 and Section 13.2, and the Parties further agree that, except for fraud, fraudulent misrepresentation, or intentional breach, and except as provided in Section 15.3 and Section 16.3, the Purchaser may have recourse for monetary compensation against the Holdback Amount.

(b) Notwithstanding anything in this Agreement to the contrary, the Parties agree that any Claim by the Purchaser, as an Indemnified Party against any or all of the Vendors, as an Indemnifying Party, in excess of the Holdback Amount may be subject to compromise in the CCAA Proceedings.

### ARTICLE 14 DISPUTE RESOLUTION

#### Section 14.1 Arbitration

Subject to Section 14.2, disputes, disagreements, controversies, questions or claims arising out of or relating to this Agreement, and the Ancillary Agreements, including, without limitation, with respect to their formation, execution, validity, application, interpretation, performance, breach, termination or enforcement, or, for greater certainty, with respect to the Purchase Price adjustment or the indemnification obligations set out herein, ("Disputes") shall be determined by arbitration under the *Arbitration Act, 1991* (Ontario) (the "Arbitration Act"), provided that:

(a) any hearing in the course of the arbitration shall be held in Toronto, Ontario in the English language;

(b) the application of section 7(2) of the Arbitration Act is expressly excluded;

(c) subject to section 44 of the Arbitration Act, any Party shall have the right to appeal any award or determination of an arbitrator on any ground, including, for greater certainty, any appeal on a question of law, a question of fact, or a question of mixed fact and law, to the Canadian Court;

(d) despite section 28(1) of the Arbitration Act, an arbitrator shall not, without the written consent of all Parties to the arbitration, retain any expert;

(e) an arbitrator may apportion the costs of the arbitration, including the reasonable fees and disbursements of the Parties, between or among the Parties in such manner as the arbitrator considers reasonable;

(f) all awards for the payment of money shall include prejudgment and postjudgment interest in accordance with sections 127 to 130 of the *Courts of Justice Act* (Ontario) with necessary modifications; and

(g) all matters relating to the arbitration shall be kept confidential to the full extent permitted by Law and no individual shall be appointed as an arbitrator unless he or she agrees in writing to be bound by this dispute resolution provision.

#### Section 14.2 Exceptions

Section 14.1 shall not apply, unless otherwise agreed to by the Parties, acting reasonably, in respect of:

(a) any Dispute involving a claim which exceeds, or an approximate and reasonable estimate of the potential amount of which exceeds, \$5,000,000; and

(b) any Dispute that arises within 60 days after the Closing Date, in which case, the Parties shall submit the Dispute to the Canadian Court in the CCAA Proceedings for resolution.

### ARTICLE 15 RISK AND TERMINATION

#### Section 15.1 Risk of Loss.

The Purchased Assets shall be and remain the risk of the Vendors until Closing and at the risk of the Purchaser from and after Closing. If, prior to Closing, the Purchased Assets shall be substantially damaged or destroyed by fire or other casualty, then, at its option, the Purchaser may decline to complete the Transaction. Such option shall be exercised within five (5) Business Days after notification to the Purchaser 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 and the Purchaser shall be entitled to the Termination Fee (as hereinafter defined). If the Purchaser 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 Purchaser 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. If any dispute arises under this Section as to whether damage or destruction is substantial or with respect to the amount of any abatement, such dispute will be determined in accordance with Article 14 herein.

### Section 15.2 Termination.

This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written consent of the Parties;
- (b) by either the Vendors or the Purchaser, upon written notice to the other upon the entry of an Order by the Canadian Court approving an Alternative Transaction;
- (c) by either the Vendors or the Purchaser, upon written notice to the other:
  - (i) if the Canadian Approval and Sales Process Order shall not have been issued and entered by December 14, 2009;
  - (ii) if the Canadian Approval and Vesting Order shall not have been issued and entered within five (5) Business Days of the completion of the Sales Process;
  - (iii) if the U.S. Approval and Sales Process Recognition Order shall not have been issued and entered by January 8, 2010;
  - (iv) if the U.S. Approval and Vesting Recognition Order shall not have been issued and entered by February 26, 2010; or
  - (v) if the Closing does not take place by February 26, 2010 or on or before such later date as the Parties agree to in writing (the "Termination Date"); provided, however, that the right to terminate this Agreement pursuant to this Section 15.2(c) shall not be available to the Party seeking to terminate if such Party has failed to perform any one or more of its material obligations or covenants under this Agreement to be performed at or prior to Closing and the Closing has not occurred because of such failure.
- (d) by the Purchaser if any of the Vendors withdraw or seek authority to withdraw any of the Canadian Approval and Sales Process Order Motion, the Canadian Approval and Vesting Order Motion, the U.S. Approval and Sales Process Recognition Motion or the U.S. Approval and Vesting Recognition Motion, or publicly announce any stand alone plan of

reorganization or liquidation (or support any such plan filed by any other Person) in respect of the Business;

(e) by the Purchaser 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 provided, however, that the right to terminate this Agreement pursuant to this Section 15.2(e) shall not be available to the Purchaser where a breach of this Agreement by the Purchaser has been the cause of, or has resulted in, the event or condition giving rise to a right to terminate this Agreement pursuant to such clause;

(f) by the Vendors in the event of a material breach by the Purchaser of the Purchaser'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 provided, however, that the right to terminate this Agreement pursuant to this Section 15.2(f) shall not be available to the Vendors where a breach of this Agreement by the any of the Vendors has been the cause of, or has resulted in, the event or condition giving rise to a right to terminate this Agreement pursuant to such clause;

(g) by the Purchaser if any of the conditions in Section 10.1 of this Agreement have not been satisfied by Closing and the Purchaser has not waived such condition at or prior to Closing; or

(h) 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 15.3 Termination Payments.**

In the event that this Agreement is terminated for any reason, other than pursuant to Section 15.2(a) or Section 15.2(f) of this Agreement, then the Vendors shall pay to the Purchaser in immediately available funds within two (2) Business Days following such termination; (i) a cash fee of \$2,000,000 (the "Termination Fee"); and (ii) the expenses provided for and subject to Section 16.3 of this Agreement.

#### Section 15.4 Effects of Termination.

If this Agreement is terminated pursuant to Section 15.2, 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 6.21 (Survival of Covenants, Representations and Warranties); (ii) Article 13 (Indemnification); (iii) Section 15.2 (Termination); (iv) Section 15.3 (Termination Payments); (v) Section 15.4 (Effects of Termination); and (vi) Article 16 (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 16 MISCELLANEOUS PROVISIONS

#### Section 16.1 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 16.2 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 Lenders and their Representatives, neither the Purchaser 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 16.3 Expenses.

The Vendors shall promptly pay, as and when requested by the Purchaser, any and all out-of-pocket fees and expenses incurred by the Purchaser or any Affiliate thereof in connection with this Agreement, the Ancillary Agreements, any and all documents, discussions, negotiations, correspondence, enquiries and other activities relating hereto, and the transactions contemplated hereby, whether or not the transactions contemplated hereby are consummated, including, without limitation, the fees and expenses of legal and financial advisors, accountants, appraisers or other consultants or advisors, but subject to an aggregate maximum amount of one million dollars (\$1,000,000) or, if an Alternative Transaction is approved by the Canadian Court, then an aggregate maximum amount of one million five hundred thousand dollars (\$1,500,000).

#### Section 16.4 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 Purchaser's Solicitors on behalf of the Purchaser 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 Purchaser's Solicitors, as the case may be.

#### Section 16.5 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 Purchaser may, without the consent of the Vendors, assign and delegate its rights under this Agreement to one or more Affiliates of the Purchaser and in interpreting this Agreement, any such assignee(s) shall be considered the "Purchaser".

#### Section 16.6 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 16.7 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 Purchaser, 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](mailto:tdemarinis@torys.com)/[ndecicco@torys.com](mailto: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](mailto: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: Robert Thornton/D.J. Miller  
Email: [rthornton@tgf.ca](mailto:rthornton@tgf.ca)/[djmiller@tgf.ca](mailto:djmiller@tgf.ca)  
Fax No.: 416.304.1313

with a copy to counsel for the Monitor:

Goodmans LLP  
250 Yonge Street  
Suite 2400  
Toronto, Ontario M5B 2M6

Attention: Robert Chadwick/Cathy Costa  
email: [rchadwick@goodmans.ca](mailto:rchadwick@goodmans.ca)/[ccosta@goodmans.ca](mailto:ccosta@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 16.8 Time of Essence.**

Time shall be of the essence of this Agreement in all respects.

**Section 16.9 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 16.10 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.

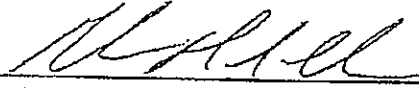
**Section 16.11 Paramountcy.**

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.

[Remainder of the Page Intentionally Left Blank; Signature Page Follows]

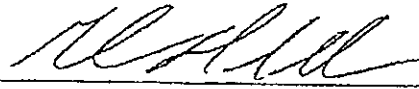
IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

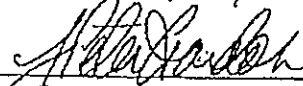
FRASER PAPERS INC.

By:   
Name: *Glenn McMillan*  
Title: *SR. VP + CFO*

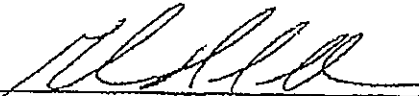
By:   
Name: *Peter Gordon*  
Title: *CEO*

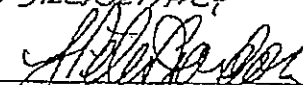
FRASER PAPERS LIMITED

By:   
Name: *Glenn McMillan*  
Title: *SECRETARY*

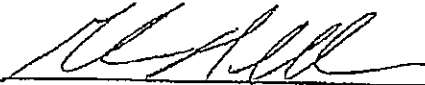
By:   
Name: *Peter Gordon*  
Title: *Chairman*

FPS CANADA INC.

By:   
Name: *Glenn McMillan*  
Title: *SECRETARY*


By:   
Name: *Peter Gordon*  
Title: *Chairman*

FRASER PAPERS HOLDINGS INC.

By:   
Name: GLEN McMILLAN  
Title: SECRETARY


By:   
Name: Peter Gordon  
Title: Chairman

FRASER TIMBER LIMITED

By:   
Name: GLEN McMILLAN  
Title: SECRETARY


By:   
Name: Peter Gordon  
Title: Chairman

FRASER N.H. LLC

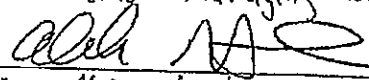
By:   
Name: GLEN McMILLAN  
Title: SECRETARY

By:   
Name: Peter Gordon  
Title: Chairman

BROOKFIELD ASSET MANAGEMENT  
INC.

By:   
Name: Sam Pollock

Title: Senior Managing Partner

By: 

Name: Aleks Narakovic

Title: Senior Vice President

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# TAB "B"

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

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

THE HONOURABLE MADAM	)	TUESDAY, THE 6TH DAY
	)	
JUSTICE PEPALL	)	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  
INC., 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

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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

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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.

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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.

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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, <sup>✓ -</sup> 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. 8210

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

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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

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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,

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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.

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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"

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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

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to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule "T" 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

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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.

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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.

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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 "T" 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.

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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

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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;

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- (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.

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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.

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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. Lepall", 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

## Schedule "A" – Form of Monitor's Certificate

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

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

THE HONOURABLE MADAM	)	TUESDAY, THE 6TH DAY
	)	
JUSTICE PEPALL	)	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  
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 December 10, 2009 (the "Approval and Bid Process Order"), the Court approved the asset purchase agreement made as of December 22, 2009 between the Applicants, as vendors, and Brookfield Asset Management Inc. ("Brookfield") and/or such other Person(s) as it may designate, as amended by the first amendment to the asset purchase agreement dated as of February 26, 2010 and a second amendment to the asset purchase agreement dated as of ■, 2010, as may be further amended, modified or restated from time to time (collectively, the "Purchase Agreement").

C. Brookfield designated Twin Rivers Paper Company Inc. (the "Canadian Purchaser") as the 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 the purchaser of the Purchased Assets located in the United States (the "U.S. Purchased Assets").

D. Pursuant to an Order of the Court dated April 6, 2010 (the "Approval and Vesting Order"), the Court provided for the vesting in the Canadian Purchaser and the U.S. Purchaser of the Applicants' right, title and interest in and to the Canadian Purchased Assets and the U.S. Purchased Assets, respectively, which vesting is to be effective with respect to the Purchased Assets, upon the delivery by the Monitor to the Designated Purchasers of a certificate confirming (i) the payment by the Canadian Purchaser and the U.S. Purchaser of the Purchase Price for the Canadian Purchased Assets and the U.S. Purchased Assets, respectively, (ii) that the conditions to Closing as set out in the Purchase Agreement have been satisfied or waived by the Applicants, Brookfield and the Designated Purchasers, as the case may be; and (iii) the Transaction as contemplated in the Purchase Agreement, the Approval and Bid Process Order and the Approval and Vesting Order has been completed to the satisfaction of the Monitor.

E. Unless otherwise indicated herein, all capitalized terms used but not otherwise defined in this certificate shall have the meanings ascribed thereto in the Purchase Agreement.

THE MONITOR CERTIFIES the following:

1. The Designated Purchasers have paid and the Applicants have received the Purchase Price for the Purchased Assets, payable on Closing pursuant to the Purchase Agreement;
2. The conditions to Closing as set out in the Purchase Agreement have been satisfied or waived by the Applicants, Brookfield and the Designated Purchasers, respectively; and
3. The Transaction has been completed in accordance with the terms of the Purchase Agreement, the Approval and Bid Process Order and the 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., Fraser Papers Limited and FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC, and not in its personal or corporate 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., 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

**TAB "C"**

## Form A13

## DEED

Standard Forms of Conveyances Act, S.N.B. 1980, c.S-12.2, s.2

The parties to this Deed are:

**NORBORD INC.**, a body corporate having their head office at One Toronto Street, Suite 600, Toronto, Ontario M5C 2W4, the "grantor",

-and-


**FRASER PAPERS INC. PAPIERS FRASER INC.**, a body corporate having their head office at, Suite 200, 181 Bay Street, Toronto, Ontario, M5J 2T3, the "grantee"

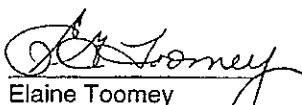
The grantor conveys to the grantee in fee simple the parcels described in Schedule "A" attached hereto.

The recitals attached hereto as Schedule "D" form part of this deed.

Dated at Toronto, Ontario, this 4<sup>th</sup> day of March, 2011.

**NORBORD INC.**

Per:   
Name: Robyn Lampard  
Title: Senior Vice President and  
Chief Financial Officer

Per:   
Name: Elaine Toomey  
Title: Assistant Corporate Secretary

**SCHEDULE "A"**

**PID 10138089- CARLETON COUNTY**

ALL THAT certain lot, piece or parcel of land and premises situate, lying and being in the Parish of Aberdeen, in the County of Carleton and Province of New Brunswick, Bounded and described as follows:

**BEGINNING** at a point located on the south easterly limits of the Juniper Station Road, said point being west of the Juniper Post Office lot, a distance of 37.0 feet at an azimuth of 228 degrees 27 minutes 30 second as shown on a Survey Plan, Juniper Realities Ltd. Property as registered in the Carleton County Registry Office on September 19, 1979 as Plan Number 137438A;

**THENCE** 122 degrees 52 minutes 54 seconds along an open ditch a distance of 111.5 feet to the northerly limits of the Mill Road;

**THENCE** westerly along the aforementioned northerly limits of the Mill Road to the south easterly limits of the aforementioned Juniper Station Road;

**THENCE** north easterly along the south easterly limits of the aforementioned Juniper Station Road to the point of beginning.

All directions being True North azimuths.

**PID 65203705 -VICTORIA COUNTY**

ALL THAT certain lot, piece or parcel of land and premises situate, lying and being in the Village of Plaster Rock, in the County of Victoria and Province of New Brunswick, Bounded and described as follows:

**BEGINNING** at a point, being the north easterly corner of Lot No. 90-1 as shown on the Subdivision Plan showing Fraser Inc. Subdivision No. 2, as registered in the Victoria County Registry Office on July 18, 1991, as Plan Number 5038, said point of beginning having New Brunswick Grid Coordinates (ATS77) of easting 232189.658 metres and northing 846220.807 metres;

**THENCE** 73 degrees 02 minutes a distance of 42 metres plus or minus to the ordinary high water mark of the Tobique River;

**THENCE** south westerly along the aforementioned ordinary high water mark of the Tobique River a distance of 360 metres plus or minus to the centre of a small brook as shown on the Subdivision Plan showing Nexfor Inc. (Fraser Companies Ltd.) Subdivision 99-1, as registered in the Victoria County Registry Office on August 11, 2000, as Plan Number 11264992;

**THENCE** north westerly following the various courses of the aforementioned small brook a distance of 78 metres plus or minus to the easterly corner of the property now or formerly owned by The Plaster Rock Local Improvement District;

**THENCE** north easterly a distance of 10 metres plus or minus to the southerly corner of Lot 1 as shown on Plan Number 173 as registered in the Victoria County Registry Office;

**THENCE** 35 degrees 14 minutes along the easterly boundary of the aforementioned Lot 1 and continuing along the easterly boundary of Lots 2, 3, 4, 5, 6 and 7 as shown on the aforementioned Plan Number 173 a total distance of 139 metres plus or minus to the point located at the southerly corner of Parcel 90-A as shown on the aforementioned Plan Number 5038;

**THENCE** 32 degrees 42 minutes 00 seconds along the easterly boundary of the aforementioned Parcel 90-A and Lot No. 90-1 a total distance of 166.305 metres plus or minus to the point of beginning.

All directions being New Brunswick Grid (ATS77) azimuths.

Being Subject to a transmission line easement in favor of New Brunswick Power

Transmission Corporation as per Document No. 65172, on Page No. 255, in

Book No. 164 as filed in the Victoria County Registry Office on January 18, 1974.

**PID 65203556- VICTORIA COUNTY**

ALL THAT certain lot, piece or parcel of land and premises situate, lying and being in the Village of Plaster Rock, in the County of Victoria and Province of New Brunswick, Bounded and described as follows:

**BEGINNING** at a point where a small brook, the said small brook being the south west boundary of Lot 99-1 as shown on the Subdivision Plan showing Nexfor Inc. (Fraser Companies Ltd.) Subdivision 99-1, as registered in the Victoria County Registry Office on August 11, 2000, as Plan Number 11264992, intersects the easterly boundary of Parcel 91-A as shown on the Subdivision Plan showing Fraser, Inc. (Fraser Co. Ltd.) Subdivision 91-A, as registered in the Victoria County Registry Office on April 06, 1992, as Plan Number 5180 said point of beginning having New Brunswick Grid Coordinates (ATS77) of easting 231953.125 metres and northing 845901.277 metres;

**THENCE** south easterly along the centre of the aforementioned small brook a distance of 60 metres plus or minus to the ordinary high water mark of the Tobique River;

**THENCE** south westerly along the aforementioned ordinary high water mark of the Tobique River to the boundary between Grant Lot 73E and Grant Lot 71;

**THENCE** westerly along the aforementioned boundary between Grant Lot 73E and Grant Lot 71 a rectangular distance of 20.117 metres;

**THENCE** south westerly, maintaining a rectangular distance of 20.117 metres from the aforementioned ordinary high water mark of the Tobique River to the easterly limits of Bridge Street;

**THENCE** northerly along the aforementioned easterly limits of Bridge Street to the southerly boundary of the property now or formerly owned by David Bryan Jenkins (2011), said boundary being 18.3 metres plus or minus south of the aforementioned boundary between Grant Lot 73E and Grant Lot 71;

**THENCE** north easterly along the aforementioned boundary of the David Bryan Jenkins property to the westerly boundary of Parcel 93-C as shown on the Subdivision Plan Noranda Forest Inc. , Village of Plaster Subdivision 93-A, B & C as registered in the Victoria County Registry Office on June 20, 1994, as Plan Number 200073;

**THENCE** 126 degrees 17 minutes 44 seconds along the aforementioned westerly boundary of Parcel 93-C a distance of 9.523 metres to a point located at the south west

corner of Lot A as shown on the Fraser Companies Limited, Plan of Subdivision as registered in the Victoria County Registry Office on January 23, 1973, as Plan Number 1931;

**THENCE** easterly along the southerly boundary of the aforementioned Lot A a distance of 44.0 metres plus or minus to the top of a bank;

**THENCE** northerly along the aforementioned top of bank a distance of 82 metres plus or minus to the southerly boundary of the aforementioned Parcel 91-A;

**THENCE** 110 degrees 39 minutes 58 seconds a distance of 25.623 metres to a point;

**THENCE** 19 degrees 59 minutes 22 seconds a distance of 54.137 metres to a point;

**THENCE** 24 degrees 06 minutes 23 seconds a distance of 17.664 metres to a point;

**THENCE** 07 degrees 15 minutes 02 seconds a distance of 14.016 metres plus or minus to the point of beginning.

All directions being New Brunswick Grid (ATS77) azimuths.

#### SCHEDULE D

**WHEREAS** on June 18, 2009, Fraser Papers Inc. ("Fraser"), *inter alia*, commenced proceedings (the « CCAA Proceedings ») in the Ontario Superior Court of Justice (Commercial List) (the "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; and

**WHEREAS** Fraser and Brookfield Asset Management Inc. ("Brookfield") are parties to an Asset Purchaser Agreement dated as of December 22, 2009, as amended from time to time, (the "APA"), wherein Fraser agreed to sell to Brookfield or its designate(s) the Purchased Assets, as defined in the APA, which Purchased Assets include, *inter alia*, the Lands, as defined in the APA; and

**WHEREAS** pursuant to the APA, Brookfield has designated Twin Rivers Paper Company Inc. ("Twin Rivers") to act as the purchaser of certain Purchased Assets including, without limitation, the Lands located in Canada; and

**WHEREAS** on April 6, 2010, the transactions contemplated in the APA were approved by the Court pursuant to a Final Approval and Vesting Order (the "Order"); and

**WHEREAS** the lands described in Schedule "A" as PID 10138089 hereto are currently registered in the name of Norbord Inc. ("Norbord"); and

**WHEREAS** Norbord wishes to relinquish any interest it may have in the lands described in Schedule "A" as PID 65203705 and PID 65203556; and

**WHEREAS** the lands described in Schedule A should have been conveyed to Fraser in 2004 and should have formed part of the Lands as defined in the APA; and

**WHEREAS** it is the intention of the grantor that any and all interest of the grantor in the lands described in Schedule "A" be conveyed to the grantee.

Form 45  
AFFIDAVIT OF CORPORATE EXECUTION  
Land Titles Act, S.N.B. 1981,c.L-1.1, s.55

Deponent: Elaine Toomey  
1 Toronto Street, Suite 600  
Toronto, ON, M5C 2W4  
Office Held by Deponent: Assistant Corporate Secretary  
Corporation: NORBORD INC.  
Other Officer Who Executed the Instrument: Robin Lampard  
Office: Senior Vice-President and Chief Financial Officer  
Corporation: NORBORD INC.  
Office Held by Other Officer Who Executed the Instrument: N/A  
Place of Execution: Toronto, Ontario  
Date of Execution: March 4, 2011

I, **Elaine Toomey** the deponent, make oath and say that:

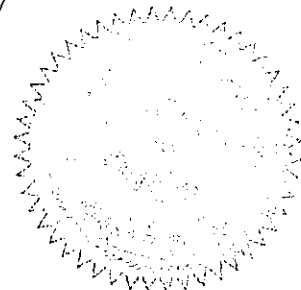
- 1. I hold the office specified above in the corporation specified above and am authorized to make this affidavit and have personal knowledge of the matters hereinafter deposed to.
- 2. The attached instrument was executed by Robin Lampard and I as the officers duly authorized to execute the instrument on behalf of the corporation. That the seal of the corporation was affixed to the said instrument in accordance with the by-laws of the corporation;
- 3. The instrument was sealed at the place and on the date specified above;
- 4. The ownership of a share of the corporation does not entitle the owner thereof to occupy the parcel described in the attached instrument as a marital home.
- 5. The seal affixed to the instrument is the Seal of the Corporation.

SWORN TO at the City of )  
Toronto, in the County of )  
Ontario and Province of Ontario )  
this 4 day of March, 2011 )  
BEFORE ME: )  
[Signature] )  
A Notary Public in and for )  
The Province of Ontario )

[Signature]  
Elaine Toomey

David Tse Hwa Ho  
Barrister & Solicitor  
Notary Public and Commissioner of Oaths  
in and of the Province of Ontario.  
My Commission is of unlimited duration.  
No legal advice given.

Red Seal Notary Inc.  
25 Adelaide Street East, Suite 100,  
Toronto, Ontario, M5C 3A1  
Tel: (416) 922-7325



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. AND FPS CANADA INC.

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

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

Proceedings commenced at Toronto

**AFFIDAVIT OF GLEN MCMILLAN**  
(Sworn March 8, 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)**  
**Danny M. Nunes (LSUC# 53802D)**

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

Lawyers for the Applicants

# Tab 3

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. AND FPS  
CANADA INC.**

Applicants

**AFFIDAVIT OF KYLA E.M. MAHAR**  
*(Sworn on March 15, 2011)*

I, **Kyla E. M. Mahar**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a lawyer with the Applicants' Canadian counsel, Thornton Grout Finnigan LLP ("TGF"), and as such I have personal knowledge of the matters to which I herein depose. Where the source of my information 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 capitalized terms used herein and not otherwise defined are as defined in the asset purchase agreement dated as of December 22, 2009, as amended, between the Applicants and certain of their former affiliates, as vendors, and Brookfield Asset Management Inc. and/or such other persons as it may designate, namely Twin Rivers Paper Company Inc. (the "**Canadian Purchaser**"), as the purchaser of the Purchased Assets located in Canada, and Twin Rivers Paper Company LLC, as the purchaser of the Purchased Assets located in the United States (the "**Purchase Agreement**"), the Order of the Honourable Madam Justice Pepall dated April 6, 2010 (the "**Approval and Vesting Order**") and the Affidavit of Glen McMillan sworn March 8, 2011 in support of the Applicants' motion (the "**McMillan Affidavit**").

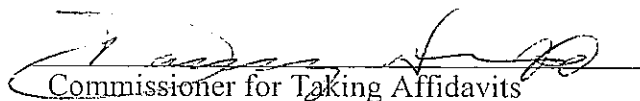
- 2 -

3. I am advised by Danny Nunes, a lawyer with TGF, that to address concerns raised by the Monitor regarding notice and service of the Applicants' motion record upon any party with a possible interest in the mortgages listed in Schedule "D" to the draft Supplemental Vesting Order (the "**Additional NB Mortgages**"), advice was sought by New Brunswick counsel, McInnes Cooper, with respect to the circumstances pursuant to which claims under the Additional NB Mortgages would be statute-barred (the "**Letter of Advice**"). Attached hereto and marked as Exhibit "A" is a true copy of the Letter of Advice addressed to Fraser Papers and the Monitor.

4. I have also been advised by Glen McMillan, Chief Restructuring Officer of Fraser Papers and Secretary of FPS Canada Inc., that there are no amounts owing under the Additional NB Mortgages and that, to the best of his knowledge, no claims for payment have been asserted in respect of the Additional NB Mortgages.

5. 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 15<sup>th</sup> day of  
March, 2011.

  
Commissioner for Taking Affidavits

DANNY NUNES

  
KYL A E. M. MAHAR

# TAB "A"



Denise A. LeBlanc Q.C.  
Direct +1 (506) 877 0862  
denise.leblanc@mcinnescooper.com

Blue Cross Centre  
South Tower, Suite 400  
644 Main Street  
PO Box 1368  
Moncton NB  
Canada E1C 1E2  
Tel +1 (506) 857 8970 | Fax +1 (506) 857 4095

Our File: DI-752  
March 15, 2011

Fraser Papers Inc.  
Suite 200, P.O. Box 762  
Brookfield Place, 181 Bay Street  
Toronto, ON M5J 2T3

Attention: Glen McMillan

PricewaterhouseCoopers Inc.,  
In its capacity as the Court-appointed  
Monitor of Fraser Papers Inc. et al  
Suite 3000, Box 82  
Royal Trust Tower, TD Centre  
77 King St. West  
Toronto, ON M5K 1G8

Attention: John McKenna

Dear Sirs:

**Re: Limitation of Actions Act (New Brunswick)**

You have asked us to provide advice with regard to circumstances pursuant to which claims made under certain mortgages, more particularly the mortgages listed in Schedule A hereto, could be statute-barred under New Brunswick Law.

You have also asked us to provide advice regarding how New Brunswick lawyers address situations where mortgages, such as the mortgages listed in Schedule A hereto, remain undischarged.

**1. The Limitations Issue and Applicable Legislation**

**A. The Current Legislation**

On May 1, 2010, a new *Limitation of Actions Act*, S.N.B. 2009, c. L-8.5 (the "New Act") came into force in New Brunswick.

By operation of s. 2(1) of the Act, it applies to any claim brought after the commencement of the Act.

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The relevant provisions governing secured debt are found in Part 3 of the New Act:

**Secured debt**

12(1).....

12(2) *No claim to recover the principal of a debt secured on real or personal property shall be brought after 15 years from the day the security is taken.*

12(3) *A payment made in relation to a debt is a part payment for the purposes of section 20, and is presumed, in the absence of evidence to the contrary, to be a payment of both principal and interest.*

12(4) .....

Pursuant to the provisions of section 12(2) of the New Act no claim to recover the principal of a debt secured on real or personal property shall be brought after 15 years from the day the security is taken. The provisions of s. 12(2) however are subject to the provisions of s. 20(1) in Part 4 of the New Act which read as follows:

20(1) *If a defendant makes a part payment of a liquidated or unliquidated monetary obligation before the expiry of the relevant limitation period established by this Act, the operation of the limitation period begins again at the time of the part payment.*

Consequently, under the New Act any claim by a mortgagee under a mortgage would be statute-barred after (i) the date of the mortgage; or (ii) the date on which the mortgagor made a part payment.

**B. The Prior Legislation**

Prior to May 1, the timing of when someone could sue or be sued was governed by the *Limitation of Actions Act*, R.S.N.B. 1973, c. L-8 (the "Old Act"). Accordingly, if an "action" was brought by a mortgagee or mortgagor under a mortgage prior to May 1, 2010, the limitations in the Old Act would apply.

In section 1 of the Old Act, "action" is defined as follows:

*"action" means any civil proceeding, including any civil proceeding by or against the Crown;*

and section 1 defines "proceedings" as follows:

*"proceedings" includes action, entry, taking of possession, distress and sale proceedings under an order of a court or under a power of sale contained in a mortgage or conferred by statute;*

Section 25 (1) of the Old Act read as follows:

*25(1) No action or suit or other proceedings shall be brought to recover any sum of money secured by any mortgage, judgment or lien, or otherwise charged upon or payable out of any land, or any legacy, but within twenty years next after a present right to receive the same accrued to some person capable of giving a discharge for or release of the same, unless in the meantime some part of the principal money or some interest thereon has been paid, so some acknowledgement of the right thereto has been given in writing, signed by the person by the same is payable, or his agent, to the person entitled thereto or his agent; and in such case no such action or suit or proceedings shall be brought but within twenty years after such payment or acknowledgement, or the last of such payments or acknowledgements if more than one was made or given.*

Accordingly, under the Old Act, any action or proceeding brought by a mortgagor or mortgagee under a mortgage would be statute-barred 20 years after (i) the date of the mortgage; or (ii) the date on which the mortgagor made a part payment.

Regardless of whether the Old Act or the New Act applies in this case, assuming that:

- i. no claims have been made by a mortgagee;
- ii. that no payment or part payment has been made to any of the mortgagee by any of the mortgagor;
- iii. no actions or proceedings have been brought by any of the mortgagors or mortgagees;

under any of the Mortgages listed in Schedule "A" attached hereto, any claims under or pursuant to the said Mortgages would be statute barred under New Brunswick law.

### **C. Transition Provisions**

The New Act also creates a number of transition provisions and therefore if a "claim" is discovered during the period between May 1, 2010, and April 30, 2012, a claim may be brought after the limitation period in the New Act has expired if the limitation period in the Old Act has not expired. After April 30, 2012, only the new limitation periods will apply.

### **2. Undischarged Mortgages in New Brunswick**

You have as well asked us to provide advice regarding how New Brunswick lawyers address situations where mortgages, such as the mortgages listed in Schedule A hereto, remain undischarged.

In New Brunswick, we do not have the benefit of provisions similar to section 33 of the Mortgages Act (Ontario), which provisions deal with the manner of giving notice in the context of a power of sale, including notice upon mortgagees and deceased mortgagees and their estate.

Where it is impossible to obtain a discharge of mortgage from the mortgagee due to the death or disappearance of the mortgagee, lawyers would normally rely on the provisions of the *Limitation of Actions Act* and accept a statutory declaration from the mortgagor or some other

MCINNIS COOPER

Page 4  
DI-752  
March 15, 2011

knowledgeable person, such as a spouse or child of the mortgagee (if it is possible to locate such individuals) regarding payment of the debt or any "proceeding" taken pursuant to the mortgage. This is recognized by the Law Society of New Brunswick as an acceptable practice pursuant to the LSNB's Standards for the Practice of Real Property Law.

The only other option which would present itself in these circumstances would be to make an application to the Court of Queen's Bench pursuant to section 38.1 of the Property Act, R.S.N.B. 1973, c. P-19, (the "Property Act") for the purposes of obtaining a discharge. We have attached hereto as Schedule B a copy of the provisions of section 38.1 and refer you more particularly to the provisions of section 38.1(5) to 38.1(10) of the Property Act.

In our view, an Application made in New Brunswick pursuant to section 38.1 of the Property Act would be akin to making the Application or Motion which the parties are making to the Ontario Superior Court of Justice regarding the Supplemental Vesting Order and would be redundant and not cost effective in the circumstances. The evidence which the moving party will be presenting to the Ontario Superior Court of Justice will in essence be the same evidence which would be placed before the New Brunswick Court pursuant to section 38.1(5) (a) and (b). As for service, we direct you to sections 38.1(6) and 38.1(7).

The difficulty in regard to service is the fact that the mortgages listed in Schedule A date from the 1940s, 1950s and 1960s. Who and where to serve anyone would involve undue delay and considerable expense as one would have to attempt to identify, through probate records (which may or may not be available) living relatives or persons who have personal knowledge about the mortgagees referenced in such mortgages, and may not be helpful in any event in determining who and where to serve any court materials.

We trust the above is sufficient for your purposes.

Yours very truly,



Denise A. LeBlanc Q.C.

**SCHEDULE A  
MORTGAGES**

1. Mortgage number 50786 between Freda Allain and Ernest Allain mortgagor, and Belonie R. Cyr and Annie Cyr, mortgagee, dated October 18, 1950 and registered in the Madawaska County Registry Office on December 14, 1950 in book C6 at page 421.
2. Mortgage number 52241 between Sylvio R. Daigle and Rina Daigle, mortgagor, and Olive P. Daigle, mortgagee, dated January 4, 1952 and registered in the Madawaska County registry office on January 9, 1952 in book E-6 at page 546.
3. Mortgage made between Yvon Sirois and wife, Simonne Sirois in favour of Annie Sirois, dated 1964-03-04 and registered in the Madawaska county registry office on 1964-04-04 at page 643 of book J7 .
4. Mortgage made between Freda Allain and Ernest Allain, mortgagors, and Belonie R. Cyr and Annie Cyr, mortgagees dated 1950-10-18 and registered in the Madawaska county registry office on December 14, 1950 at page 421 of book C6.
5. Mortgage made between Yvon Sirois and Simonne Sirois, Mortgagors, and Annie Sirois, Mortgagee, dated March 4, 1964 and registered in the Madawaska county registry office on March 10, 1964 at page 643 of book J7 as number 71612.
6. Mortgage made between Suzanne Dumont and Barromee Dumont, mortgagor, and Mary Jane Thériault, mortgagee, dated June 4, 1941 and registered in the Madawaska registry office on June 5, 1941 in book H5 at page 317 as number 37902

**SCHEDULE B**  
**PROPERTY ACT, R.S.N.B. 1973, c. P-19**

- 38.1(1) Where a mortgagor desires to redeem a mortgage and the mortgagee or one of several mortgagees cannot be found, or where a sole mortgagee or the last surviving mortgagee is dead and no probate of his will has been granted or letters of administration issued, or where from any other cause a discharge or reconveyance cannot be obtained or cannot be obtained without undue delay and expense, the court on application may permit payment into court of the amount due upon the mortgage and may make an order discharging the mortgage.
- 38.1(2) The money paid into court, with any accrued interest, shall be paid out of court to the mortgagee or as the court by order may direct.
- 38.1(3) Where the amount due upon the mortgage appears to be open to question the court may as a condition of making an order discharging the mortgage require payment into court of a sum in excess of the amount admitted to be due, and in such case the additional sum is subject to the further order of the court.
- 38.1(4) The court may require payment into court of an additional sum to answer any claim by the mortgagee for subsequent costs.
- 38.1(5) The court on application may make an order discharging a mortgage**
- (a) where a mortgagee has died and all money due upon the mortgage was paid to him in his lifetime or has been paid to a person entitled to receive the money after his death, or**
- (b) where in any other case it appears that all money due upon the mortgage has been paid,**
- and for any reason a discharge or reconveyance cannot be obtained without undue delay and expense.**
- 38.1(6) The court shall require notice of an application under this section to be given to such persons and in such manner as it considers fit.
- 38.1(7) The court may direct that notice of an order made under this section be given to such persons and in such manner as it considers fit.
- 38.1(8) An order made under this section discharging a mortgage may be registered in the appropriate registry office.
- 38.1(9) The registration in the appropriate registry office of an order made under this section discharging a mortgage shall have the effect of cancelling the mortgage and of reconveying to the mortgagor any estate conveyed by the mortgage.

- 38.1(10) **An appeal lies to the Court of Appeal from any order made under this section, or from the refusal to make an order.  
1980, c.42, s.1.**
- 39(1) A mortgagor seeking to redeem a mortgage is entitled to do so without paying the money due under any other mortgage made by him, or by any person through whom he claims, on property other than that comprised in the mortgage that he seeks to redeem.
- 39(2) This section applies only if, and as far as, a contrary intention is not expressed in the mortgage deeds, or one of them.  
R.S., c.177, s.37.
- 40 In sections 38, 38.1 and 39 "mortgage" includes any charge on any property for securing money or money's worth; "mortgagor" includes a person deriving title under the original mortgagor, or entitled to redeem a mortgage according to his estate, interest or right in the mortgaged property; and "mortgagee" includes a person deriving title under the original mortgagee.  
R.S., c.177, s.38; 1980, c.42, s.2.

# Tab 4

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

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

<b>THE HONOURABLE MADAM</b>	)	<b>FRIDAY THE 18<sup>th</sup> DAY</b>
	)	
<b>JUSTICE PEPALL</b>	)	<b>OF MARCH, 2011</b>

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. AND FPS CANADA INC.** (collectively, the "Applicants")

**SUPPLEMENTAL VESTING ORDER**

**THIS MOTION**, made by the Applicants for a supplemental order, inter alia, *nunc pro tunc* to the date of the Approval and Vesting Order (as defined below), being April 6, 2010, vesting in Twin Rivers Paper Company Inc. (the "Canadian Purchaser") all of the Vendors' (as defined in the Purchase Agreement defined below) right, title and interest in and to the Additional New Brunswick Real Property (as defined below), was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the Applicants dated March 8, 2011, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for the Canadian Purchaser and no one appearing for any other person on the service list, although all

properly served as appears from the affidavit of service of Danny Nunes sworn March 14, 2011, filed:

1. **THIS COURT ORDERS** that all capitalized terms used but not defined in this Order shall have the meanings ascribed thereto in the Order of the Honourable Madam Justice Pepall dated April 6, 2010 (the “Approval and Vesting Order”) and the asset purchase agreement dated as of December 22, 2009 between the Applicants, as vendors, and Brookfield and/or such other persons as it may designate, namely the Canadian Purchaser, as the purchaser of the Purchased Assets located in Canada, and Twin Rivers Paper Company LLC, as the purchaser of the Purchased Assets located in the United States (the “US Purchaser”, together with the Canadian Purchaser, the “Designated Purchasers”), as amended from time to time (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.
2. **THIS COURT ORDERS** that the time for service of the notice of motion and motion record in respect of this motion be and it is hereby abridged and that the motion is properly returnable today and that the service of the notice of motion and motion record herein as effected by the Applicants is hereby validated.
3. **THIS COURT ORDERS AND DECLARES** that the effect of this Order shall be *nunc pro tunc* to the date of the Approval and Vesting Order, being April 6, 2010.
4. **THIS COURT ORDERS AND DECLARES** that the Vendors are hereby authorized and directed to execute and deliver all documents and agreements contemplated by or in furtherance of the Purchase Agreement and the Transaction (the “Related Documents”) and to take such additional actions and execute and deliver such bills of sale, assignments, ancillary

agreements, directions, consents, certificates, licenses, acknowledgments, transfers and other documents and assurances as may be necessary or desirable for the conveyance of the Additional New Brunswick Real Property (as defined below) to the Canadian Purchaser, or in furtherance of this Order and the performance of their obligations thereunder.

5. **THIS COURT ORDERS AND DECLARES** that all of the Vendors' right, title, benefit, and interest in and to the real property, property rights, privileges, easements, and licenses identified and described in Schedule "A" attached hereto (the "Additional New Brunswick Real Property") shall vest absolutely in the Canadian Purchaser, 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 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 Additional New Brunswick Real Property is 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; and (v) those Claims in respect of the Additional New Brunswick Real Property listed on Schedule "B" attached hereto (all of the above set out in subparagraphs (i), (ii), (iii), (iv) and (v) are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and

restrictive covenants listed on Schedule “C” attached hereto), and, for greater certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the Additional New Brunswick Real Property are hereby released, extinguished, expunged and discharged as against the Additional New Brunswick Real Property. Counsel for the Canadian Purchaser and any agents appointed by such counsel may immediately 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.

6. **THIS COURT ORDERS** that upon the registration in the applicable land registry or land titles office of a transfer/deed of land or equivalent document in the applicable prescribed forms and of an application for registration of supplemental 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 Additional New Brunswick Real Property in fee simple, and is hereby directed to delete and expunge from title to the Additional New Brunswick Real Property any and all Claims and Encumbrances in respect of the Additional New Brunswick Real Property, including, without limitation, the Claims and Encumbrances listed in Schedule “B” attached hereto, but excluding the permitted encumbrances, easements and restrictive covenants in respect of the Additional New Brunswick Real Property set out in Schedule “C” attached hereto.

7. **THIS COURT ORDERS** that all of the Claims affecting or relating to the New Brunswick Real Property listed on Schedule “D” attached hereto (collectively, the “Additional Claims and Encumbrances”), which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule “E” attached hereto (the “Additional

Permitted Encumbrances”) are hereby released, extinguished, expunged and discharged as against the New Brunswick Real Property. Counsel for the Canadian Purchaser and any agents appointed by such counsel may immediately proceed with the discharge of such Additional 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 or land titles office of an application for registration of supplemental 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 New Brunswick Real Property any and all Additional Claims and Encumbrances in respect of the New Brunswick Real Property, including, without limitation, the Additional Claims and Encumbrances listed in Schedule “D” attached hereto, but excluding the Additional Permitted Encumbrances in respect of the New Brunswick Real Property set out in Schedule “E” attached hereto.

9. **THIS COURT ORDERS** that notwithstanding paragraph 4 of this Order, the net proceeds from the sale of the Purchased Assets (the “Proceeds”), including, without limitation, the Promissory Notes and the Common Shares but excluding, for greater certainty, the cash consideration and the Preferred Shares distributed in accordance with paragraphs 25, 26 and 28 of the Approval and Vesting Order, shall stand in the place and stead of the Additional New Brunswick Real Property and all Claims and Encumbrances shall attach to the Proceeds with the same priority as they had with respect to the Additional New Brunswick Real Property immediately prior to the date of the Approval and Vesting Order, as if the Additional New

Brunswick Real Property had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

10. **THIS COURT ORDERS** that notwithstanding paragraph 14 of the Approval and Vesting Order, the net Proceeds from the sale of the Purchased Assets, including, without limitation, the Promissory Notes and the Common Shares but excluding, for greater certainty, the cash consideration and the Preferred Shares distributed in accordance with paragraphs 25, 26 and 28 of the Approval and Vesting Order, shall stand in the place and stead of the Purchased Assets, including without limitation the New Brunswick Real Property and all Additional Claims and Encumbrances shall attach to the Proceeds with the same priority as they had with respect to the New Brunswick Real Property immediately prior to the date of the Approval and Vesting Order, as if the New Brunswick Real Property had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

11. **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.

12. **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 Vendors and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of any of the Vendors:

the vesting of title in the New Brunswick Real Property and the Additional New Brunswick Real Property in the Canadian Purchaser, free and clear of all Claims and Encumbrances including, without limitation, the Additional Claims and Encumbrances, shall be binding on any trustee in bankruptcy, receiver, interim receiver or similar party that may be appointed in respect of the Vendors and shall not be void or voidable by creditors of the Vendors, 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.

13. **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 (including, for greater certainty, the Additional New Brunswick Real Property) is located.

14. **THIS COURT ORDERS AND DECLARES** that all persons shall co-operate fully with the Applicants, the Canadian Purchaser, 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.

15. **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.

16. **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.

17. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

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**Schedule "A"**

**Additional New Brunswick Real Property**

<b>PAN</b>	<b>PID</b>	<b>Description and Location</b>
381765	10138089	Juniper Road, Juniper, NB
5229463	65203705	Tobique River Road, Plaster Rock NB
5229489	65203556	Route 108, Plaster Rock NB

All property rights, privileges, easements, and licenses owned by Fraser Papers Inc. or which Fraser Papers Inc. may have the benefit, located in the County of Madawaska, Victoria and, Carleton in the Province of New Brunswick

**Schedule "B"****Encumbrances Re: Additional New Brunswick Real Property****Carleton County**

1. Collateral Mortgage number 25712358 in favor of Her Majesty the Queen in Right of the Province of New Brunswick as represented by the Minister of Business New Brunswick dated June 16, 2008 and registered in the Carleton County Registry Office on June 19, 2008
2. Collateral Mortgage number 25745168 in favor of Brookfield Asset Management Inc., dated June 16, 2008 and registered in the Carleton County Registry Office on June 25, 2008
3. Collateral Mortgage number 26427501 in favor of Brookfield Asset Management Inc. dated November 3, 2008 and registered in the Carleton County Registry Office on November 6, 2008

**Victoria County**

1. Collateral Mortgage number 25725194 in favor of Her Majesty the Queen in Right of the Province of New Brunswick, as represented by the Minister of Business New Brunswick dated June 16, 2008 and registered in the Victoria County Registry Office on June 20, 2008.
2. Collateral Mortgage number 25746273 in favor of Brookfield Asset Management Inc. dated June 16, 2008 and registered in the Victoria County Registry Office on June 25, 2008.
3. Collateral Mortgage number 26429713 in favor of Brookfield Asset Management Inc. dated November 3, 2008 and registered in the Victoria County Registry Office on November 6, 2008.

**Schedule "C"****Permitted Encumbrances Re: Additional New Brunswick Real Property****Victoria County**

1. Easement made between Fraser Companies, Limited and the New Brunswick Electric Power Commission dated July 28, 1960 and registered in the Victoria County Registry office on September 27, 1960 at page 384 of book 119 as number 49477
2. Easement made between Fraser Companies, Limited and the New Brunswick Electric Power Commission dated November 27, 1983 and registered in the Victoria County Registry office on January 18, 1974 at page 255 of book 164 as number 65172
3. Easement made between Fraser Companies, Limited and the New Brunswick Electric Power Commission dated November 27, 1973 and registered in the Victoria County Registry office on January 18, 1974 at page 258 of book 164 as number 65173
4. Transmission Line Easement in favour of New Brunswick Power Transmission Corporation dated November 27, 1973 and registered in the Victoria County Registry Office on January 18, 1974 at page 255 of book 164 as number 65172.

**Schedule "D"****Additional Claims and Encumbrances Re: New Brunswick Real Property****A. Madawaska County**

1. Mortgage number 50786 between Freda Allain and Ernest Allain mortgagor, and Belonie R. Cyr and Annie Cyr, mortgagee, dated October 18, 1950 and registered in the Madawaska County Registry Office on December 14, 1950 in book C6 at page 421.
2. Mortgage number 52241 between Sylvio R. Daigle and Rina Daigle, mortgagor, and Olive P. Daigle, mortgagee, dated January 4, 1952 and registered in the Madawaska County registry office on January 9, 1952 in book E-6 at page 546.
3. Mortgage made between Yvon Sirois and wife, Simonne Sirois in favour of Annie Sirois, dated 1964-03-04 and registered in the Madawaska county registry office on 1964-04-04 at page 643 of book J7 .
4. Mortgage made between Freda Allain and Ernest Allain, mortgagors, and Belonie R. Cyr and Annie Cyr, mortgagees dated 1950-10-18 and registered in the Madawaska county registry office on December 14, 1950 at page 421 of book C6.
5. Mortgage made between Yvon Sirois and Simonne Sirois, Mortgagors, and Annie Sirois, Mortgagee, dated March 4, 1964 and registered in the Madawaska county registry office on March 10, 1964 at page 643 of book J7 as number 71612.
6. Mortgage made between Suzanne Dumont and Barromee Dumont, mortgagor, and Mary Jane Thériault, mortgagee, dated June 4, 1941 and registered in the Madawaska registry office on June 5, 1941 in book H5 at page 317 as number 37902.

## Schedule "E"

### Additional Permitted Encumbrances Re: New Brunswick Real Property

#### A Madawaska County

1. Right of Way in favour of Lot 8 on the Plan of Survey of Real Estate Properties owned by Fraser Companies, Limited, in the City of Edmundston, Madawaska County, N.B., prepared by C.M. Roy, N.B.L.S. under date of October 1964-February 1965, which said Plan of Survey was approved by the Planning Commission of the City of Edmundston on the 2<sup>nd</sup> day of September, 1965 and filed in the Office of the Registrar of Deeds in and for the County of Madawaska on the 7<sup>th</sup> day of September, 1965, as Number 1507, as described in
  - a deed made between Georgette Thibodeau and Ida Dufour and Noranda Forest Inc. Dated October 25, 1995 and registered on October 30, 1995 at Page 557 of Book 821, as Number 194728; and
  - a deed made between Nexfor Inc. And 4229428 Canada Inc. Dated June 27, 2004 and registered on July 6, 2004 as number 18659954
2. Right of Way reserved by grantors in deed made between Felix Daigle and Zelina Daigle and Fraser Companies, Limited dated December 21, 1928 and registered in the Madawaska registry office on January 3, 1929 as number 28849.
3. Easement made between Fraser Companies, Limited and the City of Edmundston, grantee, dated August 26, 1958 and registered in the Madawaska county registry office on May 5, 1964 at page 483 of book K7 as number 72050
4. Easement in favour of the City of Edmundston described in Exchange of Rights document made between the Town of Edmundston and Fraser Companies, Limited and dated August 29, 1950 and registered in the Madawaska Registry Office on September 16, 1950 at page 37 of book C6 as Number 50445
5. Agreement re: use of land described in a Deed made between Maxime Martin and others and Fraser Limited dated March 11, 1916 and registered in the Madawaska County Registry Office on April 30, 1917 at page 248, Book N2.
6. Lease number 133405 between Fraser Inc. and Muriel Loudon dated August 5, 1983, registered August 8, 1983, in book D-15, page 545.
7. Easement made between Fraser Companies, Limited and the Town of Edmundston dated June 28, 1946 and registered in the Madawaska county Registry Office on July 13, 1946 at page 35 of book R5 as number 43923

8. Easement made between Fraser Companies, Limited and the Town of Edmundston dated August 28, 1948 and registered in the Madawaska county Registry office on September 7, 1948 at page 21 of book X5 as number 47509
9. Easement made between Fraser Companies, Limited and the Town of Edmundston dated August 29, 1950 and registered in the Madawaska county Registry office on September 16, 1950 at page 35 of book C6 as number 50444
10. Easement made between Fraser Companies, Limited and the City of Edmundston dated August 29, 1950-and registered in the Madawaska county registry office on September 16, 1950 at page 37 of book C6 as number 50445
11. Easement made between Fraser Companies, Limited and the City of Edmundston dated April 15, 1954 and registered in the Madawaska county registry office on June 24, 1954 at page 155 of book K6 as number 55652
12. Easement made between Fraser Companies, Limited and the City of Edmundston, grantee, dated April 1, 1957 and registered in the Madawaska county registry office on May 25, 1964 at page 477 of book K7 as number 72047
13. Easement made between Fraser Companies, Limited and Edmundston Auto Ltd.- Edmundston Auto Ltée, grantor, and the City of Edmundston, grantee, dated June 30, 2004 and registered in the Madawaska county registry office on August 10, 2004 as number 18886219
14. Right of way reserved in a deed made between Belonie R. Cyr and Annie Cyr and Freda Allain dated October 18, 1950 and registered in the Madawaska county registry office on December 14, 1950 at page 420 of book C6
15. Agreement re: use of land made between Joachim Bouchard and Fraser Inc. Dated August 12, 1983 and registered in the Madawaska County registry office on August 12, 1983 at page 845 of book P-15 as number 133477.
16. Right of way described in a deed made between Nexfor Inc. And 4229428 Canada Inc. Dated 2004-06-27 and registered in the Madawaska county registry office on 2004-07-06 as number 18659954 and on "Plan of Survey of Real Estate Properties owned by Fraser Companies, Limited in the City of Edmundston, Madawaska County, N.B." prepared by C.M. Roy, N.B. L.S., under date of October 1964-February 1965, which said plan of survey was approved by The Planning Commission of the City of Edmundston on the 2<sup>nd</sup> day of September, 1965 and filed in the Office of the Registrar of Deeds in and for the County of Madawaska on the 7<sup>th</sup> day of September, 1965, as Number 1507.

17. Easement made between Fraser Companies, Limited and Edmundston Auto Ltd.- Edmundston Auto Ltée, grantor, and the City of Edmundston, grantee, dated November 8, 2004 and registered in the Madawaska county registry office on November 17, 2004 as number 19474130
18. Easement made between Fraser Companies, Limited and the City of Edmundston, grantee, dated March 15, 1957 and registered in the Madawaska county registry office on May 25, 1964 at page 479 of book K7 as number 72048

**B. Carleton County**

1. Easement for water described in Deed between Marvin R. Flemming and Winnifred L. Flemming and Juniper Lumber Co. Ltd. dated April 10, 1986 and registered in the Carleton County registry office on April 22, 1986 in book 391, page 92
2. Agreement re use of land in favour of B. Jerome Thompson described in Deed made between Nexfor Inc. And 4229428 Canada Inc. Dated June 27, 2004 and registered on July 6, 2004 as number 18662255
3. Right of Way described in Deed made between Juniper Realties Ltd. and B. Jerome and Kathleen Thompson dated November 15, 1976 and registered in the Carleton County registry office on November 22, 1976 in book 268 at page 873 as number 19943 (benefitting PID 10007896)
4. Reservation of various rights to the Crown described in Deed made between Her Majesty the Queen in Right of the Province of New Brunswick, as represented by the Minister of Supply and Services and Juniper Lumber Co. Ltd. dated April 16, 1997 and registered in the Carleton County registry office on May 15, 1997 in book number 662 at page 195 as number 191774

**C. Victoria County**

1. Easement made between Fraser Companies, Limited and the New Brunswick Electric Power Commission dated July 28, 1960 and registered in the Victoria County Registry office on September 27, 1960 at page 384 of book 119 as number 49477
2. Easement made between Fraser Companies, Limited and the New Brunswick Electric Power Commission dated November 27, 1983 and registered in the Victoria County Registry office on January 18, 1974 at page 255 of book 164 as number 65172

3. Easement made between Fraser Companies, Limited and the New Brunswick Electric Power Commission dated November 27, 1973 and registered in the Victoria County Registry office on January 18, 1974 at page 258 of book 164 as number 65173

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. AND FPS CANADA INC.

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

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

Proceedings commenced at Toronto

**SUPPLEMENTAL VESTING ORDER**

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SUPERIOR COURT OF JUSTICE  
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**MOTION RECORD**  
(Supplemental Vesting Order)  
(Returnable March 18, 2011)

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