



News Release

For Immediate Release

TSX: SFK.UN

SFK PULP FUND PROVIDES UPDATE ON CONVERSION TO A CORPORATION

Highlights

- Conversion is expected to be effective in early June 2010
- New corporation to be named Fibrek Inc.

Longueuil, Québec, March 25, 2010 - SFK Pulp Fund (TSX: SFK.UN) (the "Fund") is pleased to announce that it has entered into an agreement (the "Arrangement Agreement") pursuant to which the Fund will convert from an income trust structure to a corporation (the "Conversion"). The Conversion will occur pursuant to a statutory plan of arrangement (the "Plan of Arrangement") under Section 192 of the *Canada Business Corporation Act* ("CBCA") and is expected to be effective in early June 2010.

BACKGROUND AND REASONS FOR THE ARRANGEMENT

On October 31, 2006, the Minister of Finance (Canada) (the "Minister") announced the specified investment flow-through rules (the "SIFT Rules") which, through subsequent enacted legislation, changed the manner in which publicly traded income trusts and their distributions are taxed. Trusts such as the Fund that were publicly traded at the time of the announcement would have a four year transition period and are generally not subject to the new rules until 2011, provided such trusts meet certain conditions until then. Further legislative changes were also passed into law allowing "specified investment flow-through" entities, such as the Fund, to convert to a corporation to be effected without any undue tax consequences.

Having regard to these legislative changes, as well as the opportunity to create value by reinvesting funds from operations into internally generated opportunities, the Fund believes that the Conversion will provide a number of compelling and strategic benefits, including, without limitation, the following:

- completion of the Conversion will eliminate the uncertainty that exists in the income trust marketplace today as a result of the SIFT Rules;
- it is anticipated that the reorganized structure of the Fund as a corporation will attract new investors, including non-resident investors, and provide, in the aggregate, a more active, attractive and liquid market for the common shares of the new corporation (the "Common Shares") than currently exists for the units of the Fund (the "Units");
- permit the Fund's financial and operational performance to be more easily valued relative to other publicly-held companies in the Canadian and U.S. Markets; and
- it is anticipated that the new corporation will have greater access to various types of capital required to reduce indebtedness, fund growth and capital expenditures and improve the stability and sustainability of the business model.

DETAILS OF THE CONVERSION

If approved, the Conversion will result in the reorganization of the Fund's income trust structure into a corporation to be named "Fibrex Inc." and the Units held by unitholders will be transferred to Fibrek Inc. in consideration for Common Shares on the basis of one Common Share for each Unit so transferred. The holders of the Fund's 7% extendible convertible unsecured subordinated debentures ("Debentures") will be entitled to receive Common Shares rather than Units on conversion of such Debentures, on the same conversion basis as Units were previously issuable on conversion thereof, being \$4.80 per Unit. Upon completion of the Conversion, the Common Shares and the Debentures will be listed on the Toronto Stock Exchange ("TSX").

The Conversion is subject to approval by not less than two-thirds of the votes cast by the unitholders voting in person or by proxy at an annual and special meeting of the unitholders scheduled to be held on May 19, 2010. The Conversion is also subject to the approval of the Superior Court of Québec (the "Court") and all necessary regulatory approvals which include the approval of the TSX. Additional details of the Conversion will be included in an information circular expected to be mailed to unitholders in April 2010 and the Conversion, which is subject to receipt of all necessary approvals, is expected to be completed in early June 2010.

Complete details of the terms of the Plan of Arrangement are set out in the Arrangement Agreement that will be filed on SEDAR (www.sedar.com).

SENIOR MANAGEMENT CHANGE

SFK Pulp recently reorganized its executive team which has led to the elimination of the position of the Executive Vice President, Business Development and Strategic Procurement. This decision has prompted the departure of Paul Bourque after close to 25 years with SFK Pulp (or predecessor entities). He was part of the leadership team since the creation of SFK Pulp in 2002.

ABOUT SFK PULP

SFK Pulp (TSX: SFK.UN), a leader in the production and distribution of high-quality virgin and recycled kraft pulp, operates three mills located in Saint-Félicien, Québec, Fairmont, West Virginia, and in Menominee, Michigan. The SFK Pulp workforce totals a little over 500 employees. The company's annual production capacity reaches 745,000 metric tons. The Saint-Félicien mill provides northern bleached softwood kraft pulp (product known as NBSK pulp) to various sectors of the paper industry in Canada, the United States and Europe, for use in the production of specialized products. The Fairmont and Menominee mills manufacture air-dried recycled bleached kraft pulp (product known as RBK pulp) and primarily supply manufacturers of fine uncoated paper, household paper for commercial and industrial uses, and coated paper in the United States.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release, including but not limited to, expected effect, outcome, results and perceived benefits of the Conversion, expected receipts and timing of the final order of the Court approving the Conversion and regulatory approvals and other statements that are not historical facts, are "forward-looking statements" which reflect the intentions, plans, expectations and beliefs of SFK Pulp's management ("Management") regarding SFK Pulp's future growth, results of operations, performance and business prospects and opportunities. In certain instances, these statements require Management to make assumptions and there is significant risk that these assumptions may not be correct. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to SFK Pulp or Management, often identify forward-looking statements. Such forward-looking statements reflect Management's current beliefs and are based on information currently available to Management. Forward-looking statements involve known and unknown risks, uncertainties and other factors outside Management's control. A number of factors could cause actual results of SFK

Pulp to differ materially from the results discussed in the forward-looking statements, including, but not limited to: risks associated with pulp prices and sales volume, exchange rate fluctuations, wood fibre and wastepaper supply and costs at the mills, cost and supply of raw materials (including chemicals), pension contributions, competition, dependence upon key customers, increased production capacity in the market, equipment failure, disruptions of production, capital requirements, labour relations, transportation disruptions, insurance matters, environment, health and safety requirements, loan defaults, credit facilities and interest rates, availability of capital to meet obligations, acquisitions and failure to integrate businesses, absence of guarantee of cash distributions, tax matters, failure to satisfy the conditions to complete the Conversion, including failure to receive required unitholders or Court approvals and other factors referenced in SFK Pulp's continuous disclosure filings. Although the forward-looking statements contained herein are based upon what Management believes to be reasonable assumptions, Management cannot assure investors that actual results will be consistent with these forward-looking statements. Certain assumptions underlying the forward-looking statements contained herein include assumptions to the effect that wood fibre deliveries to SFK Pulp will continue as contemplated in SFK Pulp's fibre supply agreements, future cash flows will be sufficient to cover operating needs contemplated, capital expenditures and contractual obligations, no extraordinary event will require increased capital expenditures, wood fibre and wastepaper deliveries to SFK Pulp will be sufficient to fulfill the mills' requirements, wood fibre and wastepaper costs will not increase materially, pulp prices and exchange rates will not significantly deteriorate, pulp demand will not significantly deteriorate, SFK Pulp will generate positive distributable cash, operation costs will not increase materially, interest expenses and production outputs will remain stable, required regulatory approvals to the Conversion will be obtained. These forward-looking statements are made as of the date of this press release, and, except as required pursuant to applicable securities laws, Management assumes no obligation to update or revise them to reflect new events or circumstances. These statements do not reflect the potential impact of any special items or of any business combination or other transaction that may be announced or that may occur after the date hereof. Readers are cautioned not to place undue reliance on these forward-looking statements.

FOR MORE INFORMATION, PLEASE CONTACT:

Investors and Analysts:

Patsie Ducharme
SFK Pulp
Vice President and Chief Financial Officer
(450) 442-8884

Media and others:

Dany Paradis
SFK Pulp
Vice President, Change Management and Supply Chain
(450) 442-8882