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PRESS RELEASE
For immediate release

TSX:SFK.UN

SFK PULP ANNOUNCES REFINANCING TRANSACTIONS

Longueuil, Québec, May 12, 2010 – SFK Pulp Fund (TSX: SFK.UN) announced today a series of transactions intended to, among other things, refinance its existing credit facilities (the "**Refinancing Transactions**"). The Refinancing Transactions, which are conditional upon the closing of the reorganization of SFK Pulp into a corporation, are comprised of (all figures in Canadian dollars unless otherwise specified):

- a five-year term loan with a subsidiary of Société générale de financement du Québec, for an amount in Canadian dollars equivalent to US\$75 million (the "**SGF Loan**");
- a \$40 million (gross proceeds) offering of rights to subscribe for common shares (the "**Rights Offering**") of Fibrek Inc. ("**Fibrek**"), the successor entity of SFK Pulp Fund following the completion of its reorganization into a corporation, for which Fairfax Financial Holdings Limited ("**Fairfax**"), SFK Pulp's largest Unitholder, has agreed to purchase any Common Shares that are not otherwise subscribed for under the Rights Offering; and
- a \$75 million three-year asset-based secured revolving facility (the "**Asset-Based Revolving Credit Facility**") with GE Canada Finance Holding Company ("**GE Capital**").

"The board of directors and management of SFK Pulp thoroughly considered various alternatives in light of the upcoming maturities of the existing credit facilities", said Hubert T. Lacroix, Chairman of the Board.

"We believe that the Refinancing Transactions will provide an opportunity to implement a capital structure that will appropriately respond to the needs of SFK Pulp's business and will provide the necessary financial flexibility and capital resources to pursue its development and improve the stability and sustainability of its business model", said Pierre Gabriel Côté, President and Chief Executive Officer.

Pursuant to the Refinancing Transactions, SFK Pulp will repay its existing revolving credit facility maturing on October 30, 2010 and existing term loan maturing on October 30, 2012 in the aggregate principal amount of approximately \$143 million as at March 31, 2010. The Refinancing Transactions will also provide SFK Pulp with approximately \$60 million of liquidity after full repayment of the existing credit facilities (excluding transaction costs) based on SFK Pulp's March 31, 2010 financial position.

"The Refinancing Transactions will generate financial stability and flexibility as SFK Pulp continues as Fibrek", said Patsie Ducharme, Vice President and Chief Financial Officer. "Fibrek will be set to profit from a recovering economy with a substantial debt reduction, superior liquidity and the ability to better pursue its business objectives."

Each of the components of the Refinancing Transactions is conditional upon the closing of the reorganization of SFK Pulp into a corporation, which is subject to the approval of SFK Pulp's unitholders at our annual and special meeting to be held on May 19, 2010, and upon the closing of all the other components of the Refinancing Transactions (collectively, the "**Closing**"). Each of the components of the

Refinancing Transactions is also subject to necessary approvals, including approvals from regulatory authorities and the Toronto Stock Exchange ("TSX"), as applicable. It is anticipated that the Closing will occur on or about July 20, 2010.

TD Securities Inc. is acting as financial advisor to SFK Pulp in connection with the Refinancing Transactions.

SGF Loan

The SGF Loan will provide for a five-year secured term loan in a principal amount in Canadian dollars equivalent to US\$75 million and is subject to the satisfaction of certain customary closing conditions including the completion of due diligence and the negotiation, execution and delivery of definitive documentation.

All obligations in respect of the SGF Loan will be secured by a first ranking hypothec on all the assets, movable and immovable, present and future, of Fibrek and its subsidiaries, with the exception of the assets securing the Asset-Based Revolving Credit Facility. The SGF Loan will contain and provide for certain covenants and events of default as are customary in transactions of this nature.

Rights Offering

Following the completion of the reorganization of SFK Pulp into Fibrek, Fibrek intends to file a short form prospectus qualifying the distribution of rights to subscribe for and purchase common shares in the capital of Fibrek for gross proceeds of \$40 million. Each shareholder will receive one right for each common share held. Holders of rights who will exercise their rights in full will be entitled to subscribe pro rata for additional common shares. Fibrek will apply to list the rights and the common shares issuable upon the exercise of the rights on the TSX and the approval of such listing will be subject to Fibrek fulfilling all of the listing requirements of the TSX. TD Securities Inc. is acting as dealer-manager for the Rights Offering.

If a shareholder elects not to exercise the rights issued to him, or elects to sell or transfer those rights, the value of the common shares currently held by that shareholder may be diluted as a result of the exercise of the rights by others. The rights will be fully transferable by holders. A holder of a right will not, by virtue of such right, be a shareholder and will not have any of the rights of a shareholder.

Pursuant to a standby purchase agreement, Fairfax has agreed, subject to certain terms and conditions to purchase, at the subscription price, all of the common shares not otherwise purchased pursuant to the Rights Offering at the expiration time. In consideration of such commitment, Fairfax will be entitled to a \$400,000 standby fee representing 1% of the aggregate gross proceeds of the Rights Offering. The subscription price, which was determined by negotiation with Fairfax, shall be equal to the lesser of: (A) the volume-weighted average price of the common shares on the TSX for each of the trading days on which there was a closing price during the 5 trading days immediately preceding the date of filing of the final prospectus, less a discount of 20% and (B) the volume weighted average price of the common shares on the TSX for each of the trading days on which there was a closing price during the 40 trading days immediately preceding the date of filing of the final prospectus, less a discount of 20%. The commitment of Fairfax is subject to certain customary conditions, including the completion of the reorganization of SFK Pulp into a corporation and the execution and delivery of definitive documentation with respect to the SGF Loan and the Asset-Based Revolving Credit Facility, as well as regulatory approvals.

GE Capital Asset-Based Revolving Credit Facility

SFK has entered into a commitment letter with GE Capital for the \$75 million Asset-Based Revolving Credit Facility which will have an initial term of 3 years and is subject to the satisfaction of certain customary closing conditions including the completion of due diligence, field examinations and the negotiation, execution and delivery of definitive documentation. The amount available to be drawn under the Asset-Based Revolving Credit Facility will vary from time to time, based upon SFK Pulp's accounts receivable and inventory levels.

The obligations under the Asset-Based Revolving Credit Facility will be secured by, among other things, a first priority security interest on all of the existing and after acquired accounts receivable and inventories of the borrowers and their subsidiaries. The Asset-Based Revolving Credit Facility will contain and provide for certain covenants and events of default as are customary in transactions of this nature.

Documentation

A copy of the binding agreements to which Fibrek and SFK Pulp are parties and certain related documents will be filed with the Canadian securities regulators and will be available on SEDAR at www.sedar.com as soon as practicable following their respective execution.

Cautionary statement

This press release is not an offer to sell or the solicitation of an offer to buy securities in any jurisdiction. The rights and common shares issuable on exercise of the rights have not been and will not be registered under the *United States Securities Act of 1933*, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

ABOUT SFK PULP

SFK Pulp (TSX: SFK.UN), a leader in the production and distribution of high-quality virgin and recycled kraft pulp, with annual production capacity of 745,000 metric tonnes from 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 Saint-Félicien mill provides northern bleached softwood kraft pulp (product known as NBSK pulp) to various sectors of the paper industry mainly 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, the anticipated benefits of the Refinancing Transactions and the ability to pursue business objectives 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 or wastepaper supply and costs at the mills, cost and supply of raw materials (including chemicals and energy), competition, dependence upon key customers, increased production capacity in the market, equipment failure, disruptions of production, capital requirements, absence of guarantee of cash distributions and other factors referenced in SFK Pulp’s MD&A for the year ended December 31, 2009 and 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 and in SFK Pulp’s continuous disclosure filings include assumptions to the effect that future cash flows will be sufficient to cover capital expenditures, no extraordinary event will require increased capital expenditures, wood fibre, bark and wastepaper deliveries to SFK Pulp will be sufficient to fulfill the mills’ requirements, wood fibre, bark and wastepaper costs will not increase materially, pulp prices, pulp demand and exchange rates will not significantly deteriorate, future cash flows will be sufficient to cover operating needs contemplated and contractual obligations, SFK Pulp will generate positive distributable cash, operation costs will not increase materially, and interest expenses and production outputs will remain stable. These forward-looking statements are made as of the date of this press release, and, except as required by 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.

Note to readers: Additional information is available on SFK Pulp's website at www.sfk.ca.

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