CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-038474-108

SUPERIOR COURT
(Commercial Division)
The *Companies' Creditors Arrangement Act*

MONTREAL, this 24th day of February, 2010

IN THE PRESENCE OF:
THE HONOURABLE

ROBERT MONGEON, J.S.C.

IN THE MATTER OF THE PLAN OF ARRANGEMENT AND COMPROMISE OF:

WHITE BIRCH PAPER HOLDING COMPANY

-and-

WHITE BIRCH PAPER COMPANY

-and-

STADACONA GENERAL PARTNER INC.

-and-

BLACK SPRUCE PAPER INC.

-and-

F.F. SOUCY GENERAL PARTNER INC.

-and-

3120772 NOVA SCOTIA COMPANY

-and-

ARRIMAGE DE GROS CACOUNA INC.

COPIE CERTIFIÉE CONFORME AU
DOCUMENT DÉTENU PAR LA COUR

PERSONNE DÉSIGNÉE PAR LE GREFFIER
EN VERTU DE 44 C.P.C

-and-

PAPIER MASSON LTÉE

Petitioners

-and-

ERNST & YOUNG INC.

Monitor

-and-

STADACONA LIMITED PARTNERSHIP

-and-

F.F. SOUCY LIMITED PARTNERSHIP

-and-

F.F. SOUCY, INC. & PARTNERS, LIMITED PARTNERSHIP

Mis en Cause

INITIAL ORDER

CONSIDERING Petitioners' *"Petition for the Issuance of an Initial Order (Sections 11 and seq. of the Companies' Creditors Arrangement Act (**"CCAA"**))"*; the exhibits and the affidavit of Jay A. Epstein filed in support thereof (the "**Petition**"), the consent of Ernst & Young Inc. to act as monitor (the "**Monitor**") and the submissions of counsel for the Petitioners;

GIVEN the provisions of the CCAA;

WHEREFORE, THE COURT:

[1] **GRANTS** the Petition for the Issuance of an Initial Order (the "**Petition**").

[2] **ISSUES** an order (the "**Order**") pursuant to the Companies' Creditors Arrangement Act (the "**CCAA**"), divided under the following headings:

(i) Service;

(ii) Application of the CCAA;

(iii) Effective Time;

(iv) Plan of Arrangement;

(v) Stay of Proceedings and Rights against the Petitioners, the Partnerships and the Property;

(vi) Possession of Property and Operations;

(vii) Restructuring;

(viii) Interim Financing (**"DIP"**);

(ix) Revolving ABL Facility;

(x) Directors' and Officers' Indemnification and Charge;

(xi) Powers of the Monitor;

(xii) Administration Charge;

(xiii) Priorities and General Provisions Relating to CCAA Charges; and

(xiv) General.

DEFINITIONS

[3] **ORDERS** that all capitalized terms not otherwise defined herewith shall have the meaning ascribed to them in the Petition;

SERVICE

[4] **ORDERS** that the time for service of the Petition is hereby abridged and **DISPENSES** Arrimage de Gros Cacouna Inc., 3120772 Nova Scotia Company, F.F. Soucy General Partner Inc., Black Spruce Paper Inc., Stadacona General Partner Inc., White Birch Paper Company, White Birch Paper Holding Company and Papier Masson Ltée. (the "**Petitioners**") and Stadacona Limited Partnership, F.F. Soucy, inc. & Partners, Limited Partnership and F.F. Soucy Limited Partnership (the "**Partnerships**") from further service thereof;

[5] **DECLARES** that sufficient prior notice of the presentation of the Petition has been given by the Petitioners to the secured creditors who are likely to be affected by the charges created herein.

APPLICATION OF THE CCAA

[6] **DECLARES** that the Petitioners are companies to which the CCAA applies and that the Partnerships and the Petitioners shall enjoy the benefits of the protections and authorizations provided by this Order.

EFFECTIVE TIME

[7] **DECLARES** that this Order is effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order (the "**Effective Time**").

PLAN OF ARRANGEMENT

[8] **ORDERS** that the Petitioners and the Partnerships shall have the authority to file with this Court and submit to their creditors one or more plans of compromise or arrangement under the CCAA (collectively, the "**Plan**") in accordance with the CCAA.

STAY OF PROCEEDINGS AND RIGHTS AGAINST THE PETITIONERS, THE PARTNERSHIPS AND THE PROPERTY

[9] **ORDERS** that, until and including March 26, 2010, or such later date as the Court may order (the "**Stay Period**"), no right, remedy, enforcement process or proceeding (collectively the "**Proceedings**") may be exercised, commenced or continued by anyone, whether a person, firm, partnership, company, corporation, financial institution, trust, bank, stock exchange, joint venture, association, organization, agency, government, administration or any other entity (collectively, "**Persons**" and, individually, a "**Person**") against or in respect of the Petitioners and the Partnerships, or any of the present or future property, assets, sums, rights and undertakings of the Petitioners or the Partnerships, of any nature and in any location (including in bank accounts, wherever situated) (collectively, the "**Property**"), or affecting the Petitioners' and Partnerships' business operations and activities (collectively the "**Business**") except with leave of the Court, and all Proceedings already commenced against the Petitioners, the Partnerships or any of the Property, are stayed and suspended until the Court authorizes the continuation thereof, the whole subject to subsections 11.1, 34(9) and any other applicable provisions of the CCAA.

[10] **DECLARES** that, to the extent any rights, obligations, time or limitation periods, including, without limitation, to file grievances, relating to the Petitioners or the Partnerships or any of the Property

or the Business may expire (other than pursuant to the terms of any contracts, agreements or arrangements of any nature whatsoever) the term of such rights or obligations, or time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period. Without limitation to the foregoing, in the event that the Petitioners become bankrupt or a receiver within the meaning of paragraph 243(2) of the Bankruptcy and Insolvency Act (Canada) (the "**BIA**") is appointed in respect of the Petitioners or the Partnerships, the period between the date of the Order and the day on which the Stay Period ends shall not be calculated in determining the 30 day periods referred to in Sections 81.1 and 81.2 of the BIA.

Stay of Proceedings against the directors and officers

[11] **ORDERS** that during the Stay Period and except as permitted under subsection 11.03(2) of the CCAA, no Proceeding may be commenced, exercised, proceeded with or enforced against any former, present or future director or officer of the Petitioners or the Partnerships, or any person that, under subsection 11.03(3) of the CCAA or by other applicable legislation, is deemed to be a director or an officer of the Petitioners or the Partnerships (each, a "**Director**", and collectively the "**Directors**"), in respect of any claim against such Director that arose prior to the Effective Time, and that relates to obligations of the Petitioners or the Partnerships for which such Director is alleged to be liable (as provided under Section 5.1 of the CCAA) until further order of the Court or until the Plan, if one is filed, is sanctioned by the Court or refused by the creditors or the Court.

NO INTERFERENCE WITH RIGHTS AND CONTINUATION OF SERVICES

[12] **ORDERS** that, without limiting the generality of the foregoing but subject to subsections 11.1 and 34(7) of the CCAA, during the Stay

Period, all Persons having oral or written agreements, contracts or arrangements, including insurance or similar agreements/instruments with the Petitioners or the Partnerships or in connection with any of the Property or the Business, for any subject or purpose:

(i) are restrained from accelerating, terminating, cancelling, suspending, modifying, refusing to renew or extend on reasonable terms such agreements, contracts or arrangements or the rights of the Petitioners or the Partnerships;

(ii) are restrained from modifying, suspending or otherwise interfering with the supply of any goods, services or other benefits including, without limitation, any directors' and officers' insurance, any telephone numbers, any form of communication, banking or financial services and any oil, gas, water, steam, electricity or other utility supply; and

(iii) shall continue to perform and observe the terms and conditions contained in such agreements, contracts or arrangements, so long as the Petitioners or the Partnerships pay the normal prices or charges for such goods and services received after the date of this Order as such prices or charges become due in accordance with normal payment practices or as may be hereafter negotiated and agreed by Petitioners with the consent of the Monitor, without having to provide any guarantee, security or deposit whether by way of cash, letter of credit, stand-by fees or similar items.

[13] **ORDERS** that no public or private utility, including Hydro-Québec, Gaz Métropolitain Inc., Gazbec Inc., Integrys Energy Solutions, Inc., Gazifère Inc. and/or Transcanada Pipelines Ltd., may

discontinue or seek to discontinue service to any of the Petitioners or Partnerships, without a specific order of this Court, notwithstanding any disagreement with the Petitioners and Partnerships as to the payment terms applicable for services rendered after the date of the present Order;

[14] **ORDERS** that, without limiting the generality of the foregoing and subject to Section 21 of the CCAA, if applicable, and the Interim Financing Credit Agreement and the Interim Financing Documents (as hereinafter defined), cash or cash equivalents placed on deposit by the Petitioners or the Partnerships with any Person during the Stay Period, whether in an operating account, blocked account, lockbox account or otherwise for itself or for another entity, shall not be frozen, retained, wired, transferred or applied by such Person in reduction or repayment of amounts owing to such Person or others as of the date of this Order or due on or before the expiry of the Stay Period or in satisfaction of any interest or charges accruing in respect thereof; however, this provision shall not prevent any financial institution from: (i) reimbursing itself for the amount of any cheques drawn by the Petitioners or the Partnerships and properly honoured by such institution, or (ii) holding the amount of any cheques or other instruments deposited into the Petitioners' or Partnerships' accounts until those cheques or other instruments have been honoured by the financial institution on which they have been drawn;

Non-Derogation of Rights

[15] **ORDERS** that, notwithstanding the foregoing, any Person who provided any kind of letter of credit, guarantee or bond (the "**Issuing Party"**) at the request of the Petitioners or the Partnerships shall be required to continue honouring any and all such letters, guarantees and bonds, issued on or before the date of

this Order; however, the Issuing Party shall be entitled, where applicable, to retain the bills of lading or shipping or other documents relating thereto until paid.

POSSESSION OF PROPERTY AND OPERATIONS

[16] **ORDERS** that the Petitioners and the Partnerships shall remain in possession of their Property.

[17] **ORDERS** that the Petitioners and the Partnerships shall continue to carry on their operations and financial affairs, including the business and affairs of any Person owned by a Petitioner or a Partnership or in which a Petitioner or a Partnership owns an interest, in a manner consistent with the commercially reasonable preservation thereof.

[18] **ORDERS** that, except as otherwise provided to the contrary herein, subject to the Interim Financing Credit Agreement and the Interim Financing Documents (as hereinafter defined), the Petitioners and the Partnerships shall be entitled to pay all reasonable expenses incurred by them in carrying on the Business in the ordinary course from and after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(i) all expenses and capital expenditures reasonably necessary for the preservation of their Property or the Business; and

(ii) payment for goods or services actually delivered or supplied to the Petitioners or the Partnerships following the date of this Order.

[19] **ORDERS** that, subject to the Interim Financing Credit Agreement and the Interim Financing Documents (as hereinafter defined), the Petitioners and the Partnerships shall be entitled but not compelled

to pay the following expenses incurred prior to this Order, with the prior approval of the Monitor:

(i) all wages, salaries, management fees, commissions, vacation pay (when due), current service cost pension contributions and other benefits, and reimbursement of expenses (including, without limitation, amounts charged by employees to credit cards) payable to former or current employees, managers or Directors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(ii) all amounts owing to or in respect of individuals working as independent contractors in connection with the Petitioners' and Partnerships' Businesses;

(iii) all amounts payable to third party customs brokers, agents, freight carriers, freight forwarders, shippers and creditors with the right to retain;

(iv) all amounts in respect of customer programs including, *inter alia*, rebates, adjustments, performance and volume discounts;

(v) the fees and disbursements of any Persons retained or employed by the Petitioners or the Partnerships in respect of these proceedings, at their standard rates and charges.

[20] **ORDERS** that notwithstanding any other provision of this Order, the Petitioners and the Partnerships shall not during the Stay Period make any past service contributions (now due or to become due) or special payments to funded pension plans maintained by the Petitioners or the Partnerships (the "**Pension Plans**").

[21] **ORDERS** that none of the Petitioners, the Partnerships, or the Directors shall have or incur any obligation, whether by way of debt, damages for breach of any duty, whether statutory, fiduciary, common law or otherwise, or for breach of trust, nor shall any trust be recognized, whether express, implied, constructive, resulting, deemed or otherwise, as a result of the failure of any Person to make any contributions (now due or to become due) or payments, other than current service cost contribution obligations ("**Current Contributions**"), that they had or might otherwise have become required to make to any Pension Plans maintained by a Petitioner or by a Partnership.

[22] **ORDERS** that, except as otherwise provided to the contrary herein, the Petitioners and the Partnerships shall remit, in accordance with legal requirements, or pay:

(i) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Québec Pension Plan, and (iv) income taxes, together with the employer's share of employment insurance premiums, Canada Pension Plan contributions and Quebec Pension Plan contributions;

(ii) amounts accruing and payable by a Petitioner or a Partnership in respect of employment insurance, Canada Pension Plan, workers compensation and employer health taxes with respect to its employees;

(iii) all goods and services or other applicable sales tax (collectively, "**Sales Tax**") required to be remitted by the

Petitioners or the Partnerships in connection with the sale of goods and services by the Petitioners or the Partnerships, but only where such Sales Tax are accrued or collected after the date of this Order; and

(iv) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the business by the Petitioners or the Partnerships.

[23] **ORDERS** that, except as specifically permitted herein, the Petitioners and the Partnerships are hereby directed, until further order of this Court:

(i) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property;

(ii) not to grant credit or incur liabilities except in the ordinary course of the Business; and

(iii) not to pay any amounts in lieu of notice, termination or severance pay or other amounts in respect thereof.

[24] **ORDERS** that, subject to the Interim Financing Credit Agreement and the Interim Financing Documents (as hereinafter defined), the Petitioners and the Partnerships are authorized to pay to each other any pre-filing amounts outstanding and to complete any outstanding transactions and engage in new transactions with each other, and the Petitioners and the Partnerships may, *inter alia*, continue on and after the date hereof to allocate, collect and pay

costs, including without limitation head office expenses and shared services in the ordinary course of business on terms consistent with existing arrangements or past practice.

[25] **DECLARES** that the Petitioners and the Partnerships shall be entitled to continue to utilize, without interference, the existing cash management system (the "**Cash Management System**") or any system similar thereto, subject to the terms of the Interim Financing Credit Agreement and the Interim Financing Documents (as hereinafter defined).

RESTRUCTURING

[26] **DECLARES** that, to facilitate the orderly restructuring of their businesses and financial affairs (the "**Restructuring**"), the Petitioners and Partnerships shall have the right, subject to the Interim Financing Credit Agreement and the Interim Financing Documents (as hereinafter defined) and subject to approval of the Monitor or further order of this Court to:

(i) permanently or temporarily cease, downsize or shut down any of their operations, plants or mills, as they deem appropriate and make provision for the consequences thereof in the Plan;

(ii) sell, transfer, assign or in any other manner dispose of redundant or non-material assets outside of the ordinary course of business, not exceeding $4,000,000 in the aggregate. For greater clarity, the Petitioners and/or the Partnerships shall have the authority to sell, transfer, assign or in any other manner dispose of redundant or non material assets as contemplated herein, notwithstanding the provisions of Section 36 of the CCAA, provided that the sale is not to a related party and provided that the Monitor, in its sole discretion, is satisfied that the process leading to the proposed sale or disposition was reasonable in the circumstances, that the consideration to be received for the assets is reasonable and fair in the circumstances, and that the Monitor believes that the sale or disposition is more beneficial for the creditors than a sale or a disposition in a bankruptcy context;

(iii) terminate the employment of such of their employees or temporarily or permanently lay off such of their employees as they deem appropriate and to make provision for any consequences thereof in the Plan;

(iv) on notice in the form provided by subsection 32(1) of the CCAA, and subject to subsections 32(2), 32(3) and 32(9) of the CCAA, repudiate such of their agreements, contracts or arrangements of any nature whatsoever, whether oral or written, as they deem appropriate, and to make provision for the consequences thereof in the Plan and to negotiate any amended or new agreements or arrangements;

(v) settle claims of customers and vendors that are in dispute;

(vi) pursue all avenues to finance or refinance, market for sale or in any other manner dispose of the Property outside of the ordinary course of business under reserve of subparagraph (b) and subject to Section 36 of the CCAA; and

(vii) assign any of their rights or obligations, subject to Section 11.3 of the CCAA.

[27] **DECLARES** that, pursuant to the Personal Information Protection and Electronic Documents Act and the Act Respecting the

Protection of Personal Information in the Private Sector, the Petitioners and Partnerships are permitted, in the course of these proceedings, to disclose personal information of identifiable individuals in their possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to their advisers (individually, a "**Third Party**"), but only to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction for that purpose, provided that the Persons to whom such personal information is disclosed enter into confidentiality agreements with the Petitioners or Partnerships binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information shall be returned to the Petitioners or Partnerships or destroyed. In the event that a Third Party acquires personal information as part of the Restructuring or the preparation and implementation of the Plan or a transaction in furtherance thereof, such Third Party may continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioners or Partnerships.

INTERIM FINANCING ("DIP")

[28] **ORDERS** that, notwithstanding any other provision of this Order but subject to paragraph 38, the Petitioners and Partnerships be and are hereby authorized to borrow from the Interim Lenders such amounts from time to time as the Petitioners and Partnerships may consider necessary or desirable, up to a maximum combined principal amount of USD$140 million, on the terms and conditions as set forth in the Interim Financing Credit Agreement, attached hereto in draft form as Exhibit P-3 (subject to such amendments

and modifications as the parties may agree with, provided such amendments or modifications are approved by the Monitor and do not conflict with the provisions of this Order) and in the Interim Financing Documents (as defined hereinafter), to fund firstly, full repayment of all amounts outstanding under the Revolving ABL Facility and thereafter, the ongoing expenditures of the Petitioners and Partnerships and to pay such other amounts as are permitted by the terms of this Order, the Interim Financing Credit Agreement and the Interim Financing Documents (as defined hereinafter);

[29] **APPROVES** the Interim Financing Credit Agreement;

[30] **ORDERS** that the Petitioners and Partnerships are hereby authorized to execute and deliver such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively the "**Interim Financing Documents**") as may be required by the Interim Finance Parties (as defined below) in connection with the Interim Financing Credit Agreement, and the Petitioners and Partnerships are hereby authorized to perform all of their obligations under the Interim Financing Documents notwithstanding any other provision of this Order;

[31] **ORDERS** that the Petitioners and Partnerships shall pay to the Interim Finance Parties (as defined below) when due all amounts owing (including principal, interest, fees and expenses, including without limitation, all fees and disbursements of counsel and all other advisers to or agents of the Interim Finance Parties on a full indemnity basis (the "**Interim Lenders Expenses**") under the Interim Financing Credit Agreement and the Interim Financing Documents and shall perform all of their other obligations to the Interim Finance Parties pursuant to the Interim Financing Credit Agreement, the Interim Financing Documents and this Order;

[32] **ORDERS** that all of the Property of the Petitioners and Partnerships is hereby charged by a hypothec, mortgage, lien and security interest to the extent of the aggregate amount of $200 million [the principal amount of the interim loan, plus approximately 25% thereof, adjusted for possible currency fluctuations] (such hypothec, mortgage, lien and security interest, together with any hypothec, mortgage, lien or security interest created by the Interim Financing Documents, the "**Interim Financing Charge**") in favour of Credit Suisse AG ("**CS**") and Credit Suisse, Toronto Branch ("**CSTB**") as collateral agents (the "**Collateral Agents**") for CS, as administrative agent, Black Diamond Commercial Finance, L.L.C. ("**BDCF**"), as syndication agent, CS and BDCF, as lead arrangers, the Collateral Agents and the Interim Lenders (collectively the "**Interim Finance Parties**") as security for all indebtedness, liabilities and obligations of the Petitioners and Partnerships to the Interim Finance Parties (including principal, interest and the Interim Lenders Expenses and all obligations required to be performed) under or in connection with the Interim Financing Credit Agreement and the Interim Financing Documents. The Interim Financing Charge shall have the priority established by paragraphs 52 and 53 hereof;

[33] **ORDERS** that the claims of the Interim Finance Parties pursuant to the Interim Financing Credit Agreement and the Interim Financing Documents shall not be compromised or arranged pursuant to the Plan or these proceedings and the Interim Finance Parties, in that capacity, shall be treated as unaffected creditors in these proceedings and in any Plan;

[34] **ORDERS** that the Interim Finance Parties may, notwithstanding any other provision of this Order:

(i) take such steps from time to time as they may deem necessary or appropriate to register, record or perfect the Interim Financing Charge and the Interim Financing Documents in all jurisdictions where they deem it is appropriate; and

(ii) notwithstanding the terms of the paragraph to follow, refuse to make any advance to the Petitioners and/or Partnerships in accordance with and to the extent provided in the provisions of the Interim Financing Credit Agreement and the Interim Financing Documents;

[35] **ORDERS** that the Interim Finance Parties shall not take any enforcement steps under the Interim Financing Credit Agreement, the Interim Financing Documents or the Interim Financing Charge without providing at least five (5) business days written notice (the "**Notice Period**") of a default thereunder to the Petitioners and the Partnerships, the Monitor and to creditors whose rights are registered or published at the appropriate registers or requesting a copy of such notice. Upon expiry of such Notice Period, the Interim Finance Parties shall be entitled to take any and all steps under the Interim Financing Documents and the Interim Financing Charge and otherwise permitted at law, the whole in accordance with applicable provincial laws, but without having to send any demands under Section 244 of the BIA;

[36] **ORDERS** that notwithstanding paragraph 66 herein, subject to further order of this Court, no order shall be made varying, rescinding, or otherwise affecting paragraphs 28 to 35 hereof unless either (a) notice of a motion for such order is served on the Interim Finance Parties by the moving party presentable no later than March 19, 2010, or (b) the Interim Finance Parties apply for or consent to such order;

<u>REVOLVING ABL FACILITY</u>

[37] **ORDERS** that the claims (including, without limitation, all fees, costs and expenses) (the "**Revolving ABL Obligations**") of the lenders and agents (collectively, "**GE**") pursuant to the Revolving ABL Facility and related agreements (the "**Revolving ABL Documents**") shall not be compromised or arranged pursuant to any Plan in these proceedings or any proposal under the BIA and GE, in that capacity, shall be treated as an unaffected creditor in such proceedings and in any Plan or proposal, subject to the following paragraphs 38 to 41 and 53 of this Order;

[38] **ORDERS** that, within 7 days after the date of this Order (subject to an extension of up to not more than 7 days at GE's discretion, acting reasonably) and in any event no later than the time at which the Petitioners and Partnerships are entitled to borrow amounts pursuant to the Interim Financing Credit Agreement (the "**Repayment Period**"), the Petitioners and Partnerships shall repay the Revolving ABL Obligations in full (the "**GE Payout**"), provided that in the case of the Revolving ABL Letters of Credit, they will be cash collateralized (the "**ABL Cash Collateral Security**") on terms satisfactory to GE and the Petitioners and Partnerships, provided that the amount of such cash collateral will not exceed 105% of the undrawn amount of the Revolving ABL Letters of Credit so requiring such cash collateralization;

[39] **ORDERS** that, notwithstanding any other provision of this Order, the Petitioners and Partnerships shall not make any payment or disbursement during the Repayment Period that is not contemplated by and consistent with the projected cash flow statement filed under seal as Exhibit P-6 to the Petition without the prior written consent of GE;

[40] **ORDERS** that, notwithstanding any other provision of this Order, upon default by any of the Petitioners and Partnerships under paragraph 38 or 39, the Petitioners and Partnerships shall cease to use any of the collateral (including, without limitation, cash and collections from accounts receivable) granted to GE as security for the Revolving ABL Obligations without the prior written consent of GE, and GE shall be entitled to take any and all steps under the Revolving ABL Documents and otherwise as permitted by law without further notice to the Petitioners and Partnerships, the whole in accordance with applicable provincial laws.

[41] **ORDERS** that, until the GE Payout has occurred, the Petitioners and Partnerships shall not change the Cash Management System without the prior written consent of GE.

DIRECTORS INDEMNIFICATION AND CHARGE

[42] **ORDERS** that in addition to any existing indemnities, the Petitioners and the Partnerships shall indemnify each of the Directors from and against the following (collectively, the "**D&O Claims**"):

(i) all costs, charges, expenses and claims relating to any obligations or liabilities they may incur by reason of or in relation to their respective capacities as directors or officers, after the Effective Time, except where such obligations or liabilities are incurred as a result of such Director's gross negligence, willful misconduct or gross or intentional fault as detailed in Section 11.51 of the CCAA;

the foregoing shall not constitute a contract of insurance or other valid and collectible insurance, as such term may be used in any existing policy of insurance issued in favour of Petitioners, Partnerships or any of the Directors.

[43] **DECLARES** that, subject to the following paragraph, as security for the obligation of the Petitioners and the Partnerships to indemnify the Directors pursuant to paragraph 42 hereof, the Directors are hereby granted a hypothec on, mortgage of, lien on and security interest in the Property to the extent of the aggregate amount of $10 million (the "**D&O Charge**"), having the priority established by paragraphs 52 and 53 hereof.

[44] **DECLARES** that the D&O Charge, notwithstanding any language in any applicable policy of insurance to the contrary, shall only apply to the extent that the Directors do not have sufficient coverage under any directors' and officers' insurance, which shall not be excess insurance to the D&O Charge. In respect of any D&O Claim against any of the Directors, if such Directors do not receive confirmation from the applicable insurer within 21 days of delivery of notice of the D&O Claim to the applicable insurer, confirming that the applicable insurer will provide coverage for and indemnify the Directors, then, without prejudice to the subrogation rights hereinafter referred to, the Petitioners or the Partnerships shall pay the amount of the D&O Claim upon expiry. Failing such payment, the Directors may enforce the D&O Charge provided that the Directors shall reimburse the Petitioners and the Partnerships to the extent that they subsequently receive insurance benefits for the D&O Claim paid by Petitioners and the Partnerships, and provided further that Petitioners or the Partnerships shall, upon payment, be subrogated to the rights of the Directors to recover payment from the applicable insurer as if no such payment had been made.

POWERS OF THE MONITOR

[45] **ORDERS** that Ernst & Young Inc. is hereby appointed to monitor the Businesses and financial affairs of the Petitioners and Partnerships as an officer of this Court and that the Monitor, in

addition to the duties and functions referred to in Section 23 of the CCAA:

(i) shall publish, without delay after the Order is made, once a week for two (2) consecutive weeks in *La Presse* and the *National Post*, a notice of this Order, advising that copy of this Order and other public documents regarding the proceeding may be found on the internet at the website of the Monitor (the "**Website**");

(ii) may assist the Petitioners and the Partnerships in dealing with their creditors and other interested Persons during the Stay Period;

(iii) may assist the Petitioners and the Partnerships with the preparation of their cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;

(iv) may advise and assist the Petitioners and the Partnerships to review the Petitioners' and Partnerships' Businesses and assess opportunities for cost reduction, revenue enhancement and operating efficiencies;

(v) shall be entitled to participate with the Petitioners and the Partnerships in their negotiations with their creditors and other interested Persons and to assist with the Restructuring;

(vi) shall assist with the holding and administering of any meetings held to consider the Plan;

(vii) may retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of this Order, including, without limitation, one or more entities related to or affiliated with the Monitor;

(viii) may engage legal counsel to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its obligations in these proceedings and any related proceedings, under this Order or under the CCAA; and

(ix) shall perform such other duties as are required by this Order, the CCAA or this Court from time to time.

The Monitor shall not otherwise interfere with the Businesses and financial affairs carried on by the Petitioners and Partnerships, and the Monitor is not empowered to take possession of the Property nor to manage any of the Businesses and financial affairs of the Petitioners and Partnerships.

[46] **ORDERS** that for the purposes of subsection 23(1)(e) of the CCAA, the notification to the creditors shall be sufficient and fulfilled if the Monitor inserts a mention in the notice to the creditors referred to in subsection 23(1)(a)(ii)(B) of the CCAA, that the reports will be available from time to time on the Website and that notification of the production thereof will be done by posting a notice on the Website.

[47] **DECLARES** that the Monitor may provide creditors and other relevant stakeholders of the Petitioners or the Partnerships with information in response to requests made by them in writing addressed to the Monitor and copied to the Petitioners and Partnerships' counsel. The Monitor shall not have any duties or liabilities in respect of such information disseminated by it pursuant to the provisions of this Order or the CCAA, other than as provided

in paragraph 49 hereof. In the case of information that the Monitor has been advised by the Petitioners and Partnerships is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Petitioners and Partnerships unless otherwise directed by this Court.

[48] **DECLARES** that if the Monitor, in its capacity as Monitor, carries on the business of the Petitioners and the Partnerships or continues the employment of the Petitioners' or Partnerships' employees, the Monitor shall benefit from the protections afforded by Section 11.8 of the CCAA.

[49] **DECLARES** that, in addition to the rights and protections afforded to the Monitor by the CCAA, this Order or its status as an officer of the Court, the Monitor shall not incur any liability or obligation as a result of its appointment and the fulfillment of its duties or the provisions of this Order, save and except any liability or obligation arising from its duty to act in good faith and with integrity and diligence, and no action or other proceedings shall be commenced against the Monitor relating to its appointment, its conduct as Monitor or the carrying out the provisions of any order of this Court, except with prior leave of this Court, on at least seven days notice to the Monitor and its counsel. The entities related or affiliated with the Monitor (referred to in subparagraph 45(g) hereof) shall also be entitled to the protection, benefits and privileges afforded to the Monitor pursuant to this paragraph.

ADMINISTRATION CHARGE

[50] **ORDERS** that the Petitioners and the Partnerships shall pay to their Canadian and U.S. legal and financial advisors and to the Monitor and the Monitor's legal counsel their reasonable fees and

disbursements incurred in connection with or with respect to the Restructuring, whether incurred before or after this Order, and shall provide each with a reasonable retainer in advance on account of such fees and disbursements, if so requested.

[51] **DECLARES** that, as security for the reasonable fees, charges and disbursements incurred both before and after the making of this Order in respect of these proceedings, the Plan and the Restructuring, the Petitioners' and Partnerships' legal and financial advisors, the Monitor and the Monitor's legal counsel, be entitled to the benefit of and are hereby granted a hypothec on, mortgage of, lien on, and security interest in the Property to the extent of the aggregate amount of $3,000,000 (the "**Administration Charge**"), having the priority established by paragraphs 52 and 53 hereof.

PRIORITIES AND GENERAL PROVISIONS RELATING TO CCAA CHARGES

[52] **DECLARES** that the priorities of the Administration Charge, the D&O Charge and the Interim Financing Charge (collectively, the "**CCAA Charges**"), as between them with respect to any Property to which they apply, shall be as follows:

(i) first, the Administration Charge;

(ii) second, the D&O Charge; and

(iii) third, the Interim Financing Charge.

[53] **DECLARES** that, subject to Sections 81.3 to 81.6 of the BIA, each of the CCAA Charges shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, encumbrances or security of whatever nature or kind, except duly registered leases, financial leases, conditional sale agreements and/or installment sale agreements (to the extent such agreements are authorized by virtue of the Interim Financing Credit Agreement)

and the ABL Cash Collateral Security (collectively, "**Encumbrances**") affecting or relating to any of the Property, provided that, until such time as the GE Payout has occurred, only 1) the Administration Charge and 2) the D&O Charge, up to a maximum of $3 million and only to the extent the D&O Charge secures obligations of the nature described in Sections 81.3 to 81.6 of the BIA, shall rank in priority to the security in respect of the Revolving ABL Facility other than the ABL Cash Collateral Security (the "**Revolving ABL Security**") and any existing Encumbrances with priority over the Revolving ABL Security. For greater certainty, the Revolving ABL Security shall rank in priority to the Interim Financing Charge and the balance of the D&O Charge until the GE Payout has occurred, and the ABL Cash Collateral Security shall rank in priority to all of the CCAA Charges with regard to the applicable cash collateral.

[54] **ORDERS** that, except as otherwise expressly provided for herein, the Petitioners or the Partnerships shall not grant any Encumbrances in or against any Property that rank in priority to, or *pari passu* with, any of the CCAA Charges unless the Petitioners or the Partnerships obtain the prior written consent of the Monitor and the Interim Lenders, and the prior approval of the Court.

[55] **DECLARES** that each of the CCAA Charges shall attach, as of the Effective Time of this Order, to all present and future Property, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent.

[56] **DECLARES** that the CCAA Charges and the rights and remedies of the beneficiaries of such Charges, as applicable, shall be valid and enforceable and shall not otherwise be limited or impaired in any way by: (i) these proceedings and the declaration of insolvency made herein; (ii) any application for a bankruptcy order filed

pursuant to the BIA in respect of the Petitioners or the Partnerships or any bankruptcy order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners or the Partnerships; (iii) proceedings taken by any of the Petitioners or the Partnerships under Title 11 of The United States Code; or (iv) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any agreement, lease, sub-lease, offer to lease or other arrangement which binds the Petitioners or the Partnerships (a "**Third Party Agreement**"), and notwithstanding any provision to the contrary in any Third Party Agreement:

(i) the creation of any of the CCAA Charges shall not create or be deemed to constitute a breach, by the Petitioners or the Partnerships, of any Third Party Agreement to which they are a party; and

(ii) any beneficiary of the CCAA Charges shall not be held liable against any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the CCAA Charges.

[57] **DECLARES** that the granting of the CCAA Charges does not and will not constitute settlements, fraudulent preferences, fraudulent conveyances, transfers at undervalue or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

[58] **DECLARES** that the CCAA Charges shall be enforceable against all Property of the Petitioners and the Partnerships and against all Persons, including, without limitation, any trustee in bankruptcy,

receiver, receiver and manager or interim receiver of the Petitioners and the Partnerships, for all purposes.

GENERAL

[59] **ORDERS** that no Person shall commence, proceed with or enforce any Proceedings against the Monitor for or in respect of the Restructuring or the formulation and implementation of the Plan without first obtaining leave of this Court, upon seven days written notice to the Monitor and its counsel.

[60] **ORDERS** that the Petitioners' and the Partnerships' financial statements and cash flow statements, Exhibits P-5 and P-6, be kept confidential and under seal in the office of counsel for the Petitioners and Partnerships until, as the case may be, further order of this Court. However, all creditors of the Petitioners and Partnerships shall be entitled to obtain disclosure of the said Exhibits upon written request and provided they have signed a confidentiality agreement in standard form.

[61] **DECLARES** that, except as otherwise specified herein, the Petitioners and the Partnerships are at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective given addresses as last shown on the records of Petitioners or the Partnerships and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three business days after mailing if by ordinary mail.

[62] **DECLARES** that the Petitioners, the Partnerships and any other party to these proceedings may serve any Court materials in these

proceedings on all represented parties electronically, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that the Petitioners or the Partnerships shall deliver "*hard copies*" of such materials upon request to any party as soon as practicable thereafter.

[63] **DECLARES** that, unless otherwise provided herein or under the CCAA, or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings, unless such Person has served a notice of appearance on the solicitors for the Petitioners and Partnerships or appears on the service list prepared by the Monitor.

[64] **DECLARES** that Petitioners, the Partnerships and the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and rights hereunder or in respect of the proper execution of this Order.

[65] **DECLARES** that any interested Person may apply to this Court to vary or rescind this Order or seek other relief upon seven days notice to Petitioners and Partnerships, to counsel to Petitioners (Stikeman Elliott LLP, c/o Jean Fontaine & Matthew Liben), to the Monitor (Ernst & Young Inc., c/o Martin Rosenthal, Michel Marleau & Jean-Daniel Breton), to the Monitor's counsel (Ogilvy Renault LLP, c/o Louis Gouin, and to the Interim Finance Parties' counsel (Osler, Hoskin & Harcourt LLP, c/o Sandra Abitan and Marc S. Wasserman):

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and

(v) Mr. Marc S. Wasserman – mwasserman@osler.com
Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario M5X 1B8

[66] **DECLARES** that this Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.

[67] **DECLARES** that for the purposes of seeking aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada and in particular in the U.S. Bankruptcy Court in respect of proceedings commenced under Chapter 15 of the *Bankruptcy Code* and any ancillary relief in respect thereto, White Birch Paper Company shall be appointed and is hereby authorized and directed

to act as foreign representative of the Petitioners and Partnerships and to seek such aid and recognition.

[68] **REQUESTS** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian federal court or administrative body and any federal or state court or administrative body in the United States of America and any court or administrative body elsewhere, to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

[69] **ORDERS** the provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security.

THE WHOLE WITHOUT COSTS.

MONTREAL, this 24th day of February, 2010

J.S.C.

THE HONOURABLE

ROBERT MONGEON, J.S.C.

COPIE CERTIFIÉE CONFORME AU
DOCUMENT DÉTENU PAR LA COUR

PERSONNE DÉSIGNÉE PAR LE GREFFIER
EN VERTU DE 44 C.P.C