SUPERIOR COURT
(Commercial Division)

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

No: 500-11-038474-108

DATE: March 25, 2010

UNDER THE PRESIDENCY 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.
and
PAPIER MASSON LTÉE

Debtors

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

JM1838 and
OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF BEAR ISLAND PAPER COMPANY, L.L.C.

Petitioner

TRANSCRIPT OF REASONS FOR JUDGMENT
ON THE MOTION OF THE UNSECURED CREDITORS COMMITTEE
GIVEN ORALLY ON MARCH 18, 2010

[1] On the application of the Official Committee of Unsecured Creditors of Bear Island Paper Company LLC presented before me this morning, my decision will be to dismiss the Motion but with the following comments.

[2] The conclusions sought read as follows:

> **GRANT** the present Motion;
>
> **AMEND** paragraph 36 of the Initial Order by substituting the date of March 19, 2010 by the date of march 24, 2010;
>
> **RESERVE** the rights of the Official Committee to seek an order before this Honourable Court varying, rescinding or otherwise affecting the terms, conditions and consequences of the Interim Financing Credit Agreement;
>
> **THE WHOLE** without costs, unless the present motion is contested.

[3] Firstly, there has been no debate before me nor am I making any finding as to the standing of the Official Committee of Unsecured Creditors of Bear Island. This matter may have to come back before me and I may have to decide but right now I am treating the Motion without prejudice to the rights of any party or stakeholder wishing to raise an issue as to the standing of the Official Committee and I am dealing with the Motion only because it raises a question which needs to be clarified immediately.

[4] There is also a certain urgency in proceeding before this Court on other matters this morning, mainly in view of the fact that the initial Stay Order has already been issued on February 24, 2010 and this Stay Order contains a DIP financing of a rather substantial amount, namely the sum of US$140 000 000 million.

[5] The Committee wishes to postpone the date of March 19, 2010, being the bar date to submit any Motion to vary or modify the DIP loan or the DIP charge, because the same issue will be debated before the United States Bankruptcy Court early next week.

[6] The Debtors point out that the DIP loan and DIP charge need to be accepted by both courts and both jurisdictions in order to satisfy the conditions imposed by the DIP Lenders.

[7] Presumably, if the United States Bankruptcy Court does not ratify the DIP in the same manner as it has been ratified by this Court, some adjustments will have to me made.

[8] Although the Motion of Bear Island will be dismissed in terms of the conclusions sought, I am prepared to enter formally into the record the following elements:

1) The Debtors before the Canadian Court in the CCAA proceedings acknowledge that any proceeding and/or any order rendered in the CCAA file should not be construed as a bar to Bear Island's eventual submissions before the United States Bankruptcy Court as to the appropriateness of having, or not having, in whole or in part, a DIP financing authorised by the said US Bankruptcy Court. I intend to give act of this acknowledgment.

2) I have already advised the Debtors, during the hearing of February 24, 2010 that notwithstanding the date of March 19, 2010, being mentioned in paragraph 36 of the Order, this date or this bar date would not be interpreted by me as an absolute bar to the presentation of any motion by any stakeholder or interested party which would seek a modification to the DIP financing already in place. I intend to entertain any Motion which would seek a modification of the DIP financing and deal with any such application based upon its merits and I intend to adjudicate upon such eventual Motion on the sole basis of those merits. Such a Motion will not be set aside on the sole basis of the fact that it has not been presented prior to March 19 unless it appears clear that the Motion could or should have been made prior to March 19 or any such other date which may be specified in the Stay Order. I would add that any such date would have to be set aside if the facts supporting the Motion or an upcoming Motion would be based on facts which could not be acted upon prior to March 19.

[9] As a result and with these added reasons, I will dismiss the Motion of the Unsecured Creditors Committee because at this point, there is no reason to move the date of March 19, 2010. If the Unsecured Creditors Committee sees fit to come back before this Court with a Motion asking for the modification of the DIP financing, I take from the contents of the present Motion that such eventual application would be based upon issues or facts which have not yet occurred and which, obviously, would occur after March 19.

[10] There shall be no costs on this Motion.

ROBERT MONGEON, J.S.C.

Me Jean Fontaine
Me Matthew Liben
Stikeman Elliot LLP
Attorneys for Debtors

Me Denis Ferland
Me Christian Lachance
Me Marie-Paule Jeansonne
Davies Ward Phillips & Vineberg
Attorneys for Dune Capital

Me Marc Duchesne
Me Mathieu Lévesque
Borden Ladner Gervais
Attorneys for the Petitioners

Me Martin Desrosiers
Osler Hoskin & Harcourt
Attorney for the Interim Finance Parties

Me Sylvain Rigaud
Ogilvy Renaud
Attorney for the Monitor

Date of hearing: March 18, 2010