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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11-038474-108

S U P E R I O R C O U R T
Commercial Division
Designated tribunal under the
Companies' Creditors Arrangement Act[1]

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE OF ESTATE WBPC COMPANY (FORMERLY KNOWN AS WHITE BIRCH PAPER COMPANY) AND VARIOUS SUBSIDIARIES AND AFFILIATES[2]

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

REPORT OF THE MONITOR – MAY 4, 2015

We, Ernst &Young Inc. ("**EY**" or "**Monitor**"), the monitor appointed by the Superior Court of the Province of Québec for the District of Montréal ("**Court**") in the matter of Estate WBPC Company (formerly known as White Birch Paper Company) and various subsidiaries and affiliates[2], (collectively, "**WB Canada**") hereby report to the Court as follows:

Purpose of the report

1. The purpose of this report is to provide the Court with an update on the process of approval by creditors of the proposed plan of compromise ("**Plan**") filed by WB Canada pursuant to the *Companies' Creditors Arrangement Act*[1] ("**CCAA**") and additional information concerning the application for approval of the Plan by the Court.

2. The following appendices hereto attached form an integral part of this report:

   2.1. **Appendix 1**: Plan of compromise, to which is appended a copy of the Estate Allocation Compromise and Settlement Agreement ("**EACSA**"), the whole as presented to the creditors at a general meeting held on April 22, 2015 ("**Meeting**");

   2.2. **Appendix 2**: Minutes of the Meeting, together with the appendices to the Minutes, namely:

   - **Appendix 2.1**: Attendance sheet.

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1 *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

2 The entities subject to the Initial Order are Estate WBPHC Company (f/k/a/ White Birch Paper Holding Company), Estate WBPC Company (f/k/a White Birch Paper Company), Estate SGPI Inc. (f/k/a Stadacona General Partner Inc.), Estate BSPI Inc (f/k/a Black Spruce Paper Inc.), Estate FFSGPI Inc. (f/k/a F.F. Soucy General Partner Inc.), 3120772 Nova Scotia Company, Estate GCSI Inc. (f/k/a Arrimage De Gros Cacouna Inc.), Estate PML Inc. (f/k/a Papier Masson Ltée.), SSEC L.P. (f/k/a Stadacona L.P.), FFS L.P. (f/k/a F.F. Soucy L.P.), and FFSIA L.P. (f/k/a F.F. Soucy, Inc. & Partners, Limited Partnership).

- **Appendix 2.2**: Affidavit of mailing, together with appendices marked as A to D inclusively, including a notice of meeting (Appendix A), a copy of a Plan dated March 17, 2015 (to which is appended a copy of the EACSA) (Appendix B), a form of proxy and voting letter (Appendix C), and a copy of the public announcement published in La Presse, Le Soleil and the National Post (Appendix D, en liasse).

- **Appendix 2.3**: List of claims filed and allowed for voting purposes, as published by the Monitor on its website on April 14, 2015;

- **Appendix 2.4**: Report of the Monitor, as published by the Monitor on its website on April 14, 2015.

- **Appendix 2.5**: The official outcome of the vote by creditors at the Meeting.

2.3. **Appendix 3**: Letter from the attorney representing BDWBI.

Background

3. On March 13, 2015, on a motion filed by WB Canada, the Court authorized it to file the Plan and call for the Meeting to consider the Plan. A copy of the Creditor's Meeting Order[3] is available on the Monitor's website at www.ey.com/CA/WhiteBirch. The Creditor's Meeting Order also specifies the form and timing of the notices to be given by the Monitor to the creditors concerning the Plan.

4. The Plan was finalized and forwarded to the Monitor on March 17, 2015. A copy of said Plan is attached to and forms part of **Appendix 2.2**.

Preparation for the meeting of creditors

5. On or about March 20, 2015, we gave notice to every known creditor affected by the Plan, namely those creditors who had filed a proof of claim with the Monitor further to the Claims Process Order[4], as evidenced by the affidavit of mailing attached hereto and marked as **Appendix 2.2**, of the calling of a meeting of creditors to be held on April 22, 2015, to consider the Plan.

   This notice to the creditors was accompanied by a copy of the Plan (to which is appended a copy of the EACSA) and a form of proxy and voting letter.

6. We made arrangements for the publication of a notice to the creditors of the filing of the Plan and of the meeting of creditors. This notice was published in the March 25, 2015 edition of La Presse, Le Soleil and the National Post (part of **Appendix 2.2**).

7. We published a list of the claims filed and allowed to vote on the Monitor's website, on April 14, 2014. A copy of the list as published is attached as **Appendix 3**.

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[3] Order rendered on March 13, 2015, accessible on the Monitor's website at www.ey.com/CA/WhiteBirch.

[4] Order rendered on May 6, 2010, accessible on the Monitor's website.

8. We published a report on the reasonableness of the Plan on the Monitor's website on April 14, 2015 (**Appendix 2.4**).

   In particular, in view of the provisions of the CCAA regarding a the non application of sections 38 and 95 to 101 of the BIA[5], the report of the Monitor dated April 14, 2015 contains an opinion that the inclusion of the provision of the Plan excluding therefrom the application of sections 38 and 95 to 101 of the BIA is reasonable in the circumstances.

   This opinion of the Monitor is based on the fact that the contribution to be made on behalf of the shareholders has been discussed and is acceptable to some of the larger unsecured creditors, and the fact that a distribution on a consolidated basis (as contemplated in the Plan and the EACSA) is advantageous for most of the unsecured creditors both in terms of amount to be received and timing.

Meeting of creditors

9. The meeting of creditors was held on April 22, 2015, at the Centre Sheraton Hotel in Montreal, at 9:30 a.m. and was presided over by Martin Rosenthal, CPA, CA, CIRP, a representative of the Monitor.

10. The Plan was accepted by the required majority of creditors at the meeting. A copy of the minutes of the meeting, showing the official outcome of the vote is attached and marked as **Appendix 2**.

11. The results of the vote reflect a favorable vote by the creditors, of 97.368%[6] in number and 99.989% in value of the claims allowed to vote.

Reasonableness of the Plan

12. As explained in the Monitor's report dated April 14, 2015 (**Appendix 2.4**), we believe that the Plan is reasonable and advantageous for the creditors.

    This conclusion is based on the following:

    12.1. The Plan is essentially a liquidation plan, where the funds available from the liquidation of WB Canada's assets will be distributed to the creditors on a pro rata basis. There are no resources available to WB Canada to contribute additional proceeds, and as such a bankruptcy would not yield additional proceeds from the Companies' assets.

    12.2. The proceeds available arise from a consensual resolution of the estate allocation issues, through the EACSA. The EACSA has been the object of negotiations over an extended period, and, in the view of the Monitor, provides a fair settlement and compromise of the estate allocation issues. In particular (but without limitation), the EACSA contemplates that distribution to the creditors under the Plan will be made on a consolidated basis, which provides a significant advantage to most of the ordinary unsecured creditors.

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[5] Section 23(1)(d.1) of the CCAA.

[6] 111 creditors voted in favour, while only 3 creditors voted against the Plan as it appears from the Minutes (**Appendix 2**).

12.3. The only other proceeds that could potentially be available in the event of a bankruptcy would be proceeds that would arise in the event of a successful challenge of preferential payments, transactions at under-value, payments of dividends, redemptions of capital or other voidable transactions. The Monitor reviewed the transactions of WB Canada in the period prior to the issuance of the Initial Order to identify if any transaction could be suspect in this regard, and the results of the Monitor's review were presented to the creditors through a report dated February 6, 2014 and published on the Monitor's website.

The Monitor considers that the possibility of additional proceeds is uncertain and that significant time and expenses would be required to challenge the transactions that were identified as requiring further analysis. As well, the Monitor believes that the opportunity of a distribution on a consolidated basis (as is contemplated in the Plan and the EACSA) would likely be lost, and the Monitor believes that the distribution on a consolidated basis constitutes a significant advantage for the creditors.

12.4. While the Plan (and the EACSA) provide for wide releases in favor of third parties, these releases are granted in exchange for a valuable contribution.

13. The Monitor notes that the Plan contains provisions contemplating the payment in priority of claims of the Crown described in section 6(3) of the CCAA, claims of employees described in section 6(5) of the CCAA and claims of pension plans described in section 6(6) of the CCAA.

Based on the information received to date, the Monitor believes that the above-mentioned claims are insignificant and will be paid in accordance with sections 6(3), 6(5) and 6(6) of the CCAA.

14. The proceedings under the CCAA have been on-going since February 24, 2010. During this period, nothing has come to the Monitor's attention that would cause it to doubt that WB Canada was acting in good faith in the course of the proceedings under the CCAA, or that it complied faithfully with every order of the Court and provision of the CCAA.

Other factors

15. While the Monitor believes that the Plan is fair and reasonable to the creditors, the Monitor notes that the releases formulated in the EACSA and in the Plan could have an impact on third parties, and in particular in respect of any obligation of BDWBI towards the retired non-unionized employees.

16. The Monitor has received numerous communications from the attorneys representing WB Canada and the attorneys representing the First Lien Lenders[7] and Second Lien Lenders[7], stressing the fact that the support of the First Lien Lenders and Second Lien Lenders of the Plan is conditional on the understanding (which is clearly set out in the EACSA and the Plan) that the First Lien Lenders, the Second Lien Lenders and the Purchaser will only agree to substantively consolidate the estates of entities comprising WB Canada in exchange for the fulsome and complete releases in the form contemplated in Section 5.2 of the Plan. Specifically, anything other than the form of release contained in Section 5.2 of the Plan would render the Plan unacceptable to the First Lien Lenders and Second Lien Lenders.

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[7] As defined in the Plan.

17. As mentioned in the Monitor's report dated April 14, 2015, the Monitor has communicated with BDWBI to assess its intentions as regards the undertaking formulated in the letters dated August 28, 2012. The Monitor received a response by letter dated April 30, 2015, copy of which is attached as Appendix 3.

    With respect to the retired employees of Papier Masson and Soucy, the letter states that BDWBI intends to provide an unspecified amount to the retired employees and advise them of its intentions in this regard after the approval of the Plan.

    With respect to the retired employees of Stadacona, the letter states that BDWBI considers it has fulfilled its undertaking as formulated in the letters dated August 28, 2012.

    The Monitor has been informed that the Regroupement des Employés Retraités de White Birch - Stadacona intends to oppose the approval of the Plan, but only as it relates to the releases with respect to payments to be made in favour of non-unionized retirees of the Stadacona Plant.

All of which is respectfully submitted this 4th day of May 2015.

ERNST & YOUNG INC.
Monitor appointed by the Court in the matter of
the plan of compromise of Estate WBPC Company *et al.*

Per: Martin P. Rosenthal, CPA, CA, CIRP
Senior Vice-President

Per: Jean-Daniel Breton, CPA, CA, FCIRP
Senior Vice-President