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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 AND ARRANGEMENT OF WHITE BIRCH PAPER HOLDING COMPANY AND VARIOUS SUBSIDIARIES AND AFFILIATES

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

REPORT OF THE MONITOR – APRIL 21, 2010

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a Motion made by White Birch Paper Holding Company ("**White Birch**") and various of its affiliates (collectively referred to as the "**Applicants**"), the Superior Court of the Province of Québec for the District of Montréal ("**Court**"), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**")[1] issued an order ("**Initial Order**") declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. ("**EYI**" or "**Monitor**") as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest ("**Partnerships**") (the Applicants and the Partnerships are hereinafter referred to collectively as "**WB Canada**")[2]. The Initial Order has since been extended and is scheduled to expire July 12, 2010.

2. Also on February 24, 2010, Bear Island Paper Company, LLC ("**Bear Island**"), a subsidiary of White Birch with activities in the U.S., commenced a case under the provisions of Chapter 11 of the U.S. *Bankruptcy Code*[3] (the "**Code**") (Bear Island and WB Canada are hereinafter referred to collectively as "**WB Group**"). The information regarding the proceedings initiated by Bear Island under the Code, together with the "first day orders" made by the Bankruptcy Court for the Eastern District of Virginia, Richmond Division ("**US Court**") at the request of

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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 White Birch Paper Holding Company, White Birch Paper Company, Stadacona General Partner Inc., Black Spruce Paper Inc., F.F. Soucy General Partner Inc., 3120772 Nova Scotia Company, Arrimage De Gros Cacouna Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership, and F.F. Soucy, Inc. & Partners, Limited Partnership.

3 *U.S. Code,* title 11, chapter 11.

Bear Island, can be found on the website of the claims agent retained by Bear Island, Garden City Group, Inc., at www.gardencitygroup.com/cases/bip.

3. Also on February 24, 2010, some of the entities within WB Canada[4] applied for relief under the provisions of Chapter 15 of the Code. On February 26, 2010, the U.S. Court issued a temporary restraining order under the provisions of Chapter 15 of the Code, and on March 5, 2010, it granted a preliminary injunction, pending a fuller hearing to be held on March 22, 2010. We are informed that at the hearing held on March 22, 2010, the U.S. Court granted recognition of the Canadian proceedings under the CCAA as foreign main proceedings, recognised White Birch Paper Company as the duly appointed foreign representative, declared that all of the provisions of section 1520 of the Code apply to the proceedings initiated by some of the entities within WB Canada, and gave full force and effect to the Initial Order[5] in the U.S., provided that the Initial Order[5] is not revoked, terminated or expired.

4. The orders granted by this Court and by the U.S. Court (collectively, the "**Courts**"), together with the relief provided under the CCAA and the Code[6] (collectively the "**Orders**") provide, among other things, for a stay of proceedings against the entities comprising WB Group while they prepare a restructuring plan.

5. The present report is intended to provide the Court with information relevant to the motion to approve a sale and investor solicitation process ("**SISP**"), which the Company intends to file during the week ending April 23, 2010. This report is presented under the following headings:

   5.1. Introduction and background;

   5.2. Terms of reference and disclaimer;

   5.3. SISP Motion; and

   5.4. Conclusions and recommendations.

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this report, EYI has relied upon unaudited financial information, company records, company prepared financial information and projections, discussions with management and employees of WB Group, and information from various other sources.

   While we reviewed various documents and believe that the information therein provides a fair summary of the transactions as presented to us or as reflected in the documents presented to us, such work does not constitute an audit or verification of such information for accuracy,

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[4] The entities which requested relief under Chapter 15 of the Code are White Birch Paper Company, Stadacona General Partner Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership, and F.F. Soucy, Inc. & Partners, Limited Partnership.

[5] As amended, modified or extended from time to time by the Court.

[6] Sections §361 and §362 of the U.S. *Bankruptcy Code*.

completeness, or compliance with generally accepted accounting principles. Accordingly, EYI expresses no opinion or other form of assurance in respect of such information.

Some of the information used in preparing this report consists of financial projections. We caution the reader that these projections are based upon assumptions about future events and conditions that are not ascertainable, and that the actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.

In the course of our mandate, we have assumed the integrity and truthfulness of the information and explanations presented to us, within the context in which it was presented. To date, nothing has come to our attention which would cause us to question the reasonableness of this assumption.

Finally, we have requested that management bring to our attention any significant matters which were not addressed in the course of our specific inquiries. Accordingly, this report is based solely on the information (financial or otherwise) made available to us.

This report has been prepared for the use of this Court and WB Group's stakeholders as general information relating to the entities comprising WB Group and their operations. Accordingly, the reader is cautioned that this report may not be appropriate for any other purpose. We will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

7. Terms not otherwise defined herein shall have the meaning ascribed to them in the Initial Order, or in previous reports of the Monitor, as the case may be.

SISP MOTION

8. In the context of their motion for the issuance of an initial order, the Applicants sought and obtained approval of an interim financing facility, with funds provided by a group of lenders drawn from the First Term Loan[7] syndicate.

9. As mentioned in the Monitor's reports dated February 23 and March 25, 2010, the credit agreement executed in connection with this interim financing facility provides for a series of milestones designed to ensure that the process leading to the formulation of a plan and its presentation to the creditors for approval runs swiftly. The milestones are outlined in the Monitor's report dated March 25, 2010. The first of these milestones relates to the presentation of a motion (referred to as the "**SISP Motion**") seeking approval of a sale and investor solicitation process for the business as a whole.

10. In order to meet this milestone, the SISP Motion must be filed with the Courts by April 23, 2010, and WB Group must have received the Courts' approval thereof, at the latest on May 1, 2010.

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7 As defined in the Monitor's report dated February 23, 2010.

11. In compliance with the requirements of the interim financing credit agreement, the Applicants have prepared a motion addressing the SISP, and this motion was discussed with the Monitor. The Monitor was informed that a substantially similar motion was filed by Bear Island with the U.S. Court, on April 16, 2010, also with a view to comply with the requirements of the interim financing credit agreement.

12. The motion provides an outline of the SISP intended to be implemented by the WB Group, as a parallel process contemporaneous with the preparation and negotiation of proposed terms of a compromise or arrangement with the creditors. The SISP needs to be developed and implemented contemporaneously with the negotiation of a plan, so that no time is lost putting in place a sale process in the event that the WB Group is not successful in its efforts at achieving a consensual compromise and arrangement with the creditors, as the case may be.

13. The procedures intended to be implemented in order to seek out potential purchasers for the assets, the information to be provided, the selection of bidders to be invited to participate in the negotiation of a draft sale agreement, the selection of a stalking horse bidder, and the expected timing of the steps in the SISP are described in the document attached as Appendix A.

14. The Monitor has reviewed the proposed SISP Procedures and discussed same with representatives of the WB Group and of Lazard & Freres Co LLC ("**Lazard**"). As indicated in the Monitor's report dated February 23, 2010, Lazard is a firm that specializes in capital raising and corporate finance (among other things), that was retained by WB Group to act as one of its advisers. Based on this review, the Monitor offers the following comments:

   14.1. We consider that a process of identification of prospective purchasers by a corporate finance specialist such as Lazard, based on a targeted approach, is reasonable in the circumstances, in view (primarily) of the following factors:

      14.1.1. The specialized nature of the assets for which expressions of interest will be sought;

      14.1.2. The relatively short timeframe in which a prospective purchaser has to be identified;

      14.1.3. The fact that there is over-capacity in this industry;

      14.1.4. The fact that the secured creditors have a high degree of interest in assisting in the search for a prospective purchaser to maximize value; and

      14.1.5. The fact that the sale process must remain relatively conscribed and quiet in order to ensure there will not be a disruption to the operations, by unsettling customers who may become concerned with the possibility that their supplier may not remain as a going concern.

   14.2. The process as documented in the SISP document (Appendix A) is well structured, and appears reasonable in the circumstances; and

14.3. The Monitor recognizes that appropriateness of the process is not a guarantee of the outcome, and as such we cannot comment on whether the process will, in fact, yield an appropriate realization value for the assets, however the process appears to have sufficient safeguards to ensure a proper supervision by the Court throughout the SISP, and a final review and approval of a proposed transaction, before a transaction is consummated.

CONCLUSIONS AND RECOMMENDATION

15. The Monitor believes that the motion to approve a SISP is reasonable, and recommends that the Court authorize WB Group to implement the SISP Procedures as contemplated in the motion.

All of which is respectfully submitted this 21st day of April 2010.

ERNST & YOUNG INC.
In its capacity as the monitor appointed by the Court
in the matter of the proposed compromise and
arrangement of White Birch Paper Holding Company *et al.*

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

Per: Jean-Daniel Breton, CA, CIRP
Senior Vice-President

Appendix A – Form of Procedures for the SISP

FORM OF PROCEDURES FOR THE SALE AND INVESTOR SOLICITATION PROCESS

On February 24, 2010 (the "Petition Date"), White Birch Paper Holding Company, White Birch Paper Company, Stadacona General Partner Inc., Black Spruce Paper Inc., F.F. Soucy General Partner Inc., 3120772 Nova Scotia Company, Arrimage de Gros Cacouna Inc., Papier Masson Ltée, Stadacona L.P., F.F. Soucy L.P. and F.F. Soucy, Inc. & Partners, L.P. (the "Canadian Debtors") commenced proceedings (the "CCAA Proceedings") seeking relief under the *Companies' Creditors Arrangement Act* (the "CCAA") before the Superior Court of Québec, Commercial Division, in Montreal, Canada (the "CCAA Court"). On the same day, Bear Island Paper Company, L.L.C. (the "U.S. Debtor" and, together with the Canadian Debtors, the "WB Group") commenced a proceeding (the "U.S. Proceeding") under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia (the "U.S. Bankruptcy Court," and together with the CCAA Court, the "Courts"). The Canadian Debtors have also filed petitions and related pleadings under Chapter 15 in the U.S. Bankruptcy Court and, on March 26, 2010, the U.S. Bankruptcy Court entered an order recognizing the CCAA Proceedings as a "foreign main proceeding."

Immediately prior to the Petition Date, the WB Group finalized the terms of a $140,000,000 Senior Secured Super-Priority Debtor-in-Possession Term Loan Credit Agreement (the "White Birch DIP Facility"). On February 24, 2010, the CCAA Court entered an order granting approval of the White Birch DIP Facility. On February 26, 2010, the U.S. Bankruptcy Court entered an order granting interim approval, and on March 31, 2010, the U.S. Bankruptcy Court entered an order granting final approval of the White Birch DIP Facility.

Pursuant to its approved terms, the White Birch DIP Facility prescribes that the WB Group shall meet certain milestones as part of the development of a joint plan of reorganization (the "Plan of Reorganization") in the CCAA Proceedings and the U.S. Proceeding. In parallel, the White Birch DIP Facility prescribes an alternative sale and investor solicitation process (the "SISP") whereby the WB Group will seek to sell all or substantially all of its assets (the "Assets") under the supervision of the Courts. On April 23, 2010 the Canadian Debtors filed a motion with the CCAA Court seeking an order for approval of the SISP and the procedures set forth herein (the "SISP Procedures"). On April 16, 2010, the U.S. Debtor filed a motion with the U.S. Bankruptcy Court for an order authorizing and approving the SISP Procedures.

On April __, 2010, following hearings of the Courts, the Courts each entered an order (together, the "SISP Order") approving the SISP and the SISP Procedures. The SISP Order, SISP and the SISP Procedures are to be followed with respect to the SISP for the WB Group.

Summary of the Solicitation Process

The SISP Procedures set forth herein describe, among other things, the Assets available for sale, the manner in which prospective bidders will be solicited, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Assets, the manner in which bidders and bids become qualified bids, the receipt and negotiation of bids received (collectively, the "Solicitation Process"), and the timeframe for additional steps which shall be carried out pursuant to a further order of the Courts, notably the conduct of any subsequent Auction (as defined below), the ultimate selection of a successful bidder, and the CCAA Court and U.S. Bankruptcy Court's approval thereof.

WB Group, in consultation with its financial and legal advisors and Ernst & Young Inc. (the "Monitor") shall conduct the SISP Procedures and the Solicitation Process as outlined herein. Certain stages of the SISP Procedures may be conducted by the WB Group simultaneous to the preparation, solicitation or confirmation of a Plan of Reorganization. In addition, the closing of any sale may involve additional intermediate steps or transactions to facilitate consummation of such sale, including the additional Court filings and/or merger or other corporate transactions of subsidiaries and affiliates of the WB Group.

The following is a brief summary of the Solicitation Process and the timeline associated with the Solicitation Process (each step of which is described in greater detail below):

(a) The The Solicitation Process will commence in April 2010 with the preparation by the WB Group, in conjunction with its advisors, including Lazard Freres & Co. LLC ("Lazard"), of a list of potential bidders (the "Potential Bidders") for the assets of the WB Group (the "Assets"). Such list will include both strategic and financial parties who, in Lazard's reasonable professional judgment, may be interested in acquiring the Assets. Concurrently, the WB Group and Lazard will prepare an initial offering summary (the "Teaser Letter") notifying Potential Bidders of the existence of the Solicitation Process and inviting the Potential Bidders identified to express their interest in making an offer to acquire all or substantially all of the Assets.

(b) On or prior to May 3, 2010, Lazard shall undertake to distribute to Potential Bidders the Teaser Letter as well as a draft confidentiality agreement (a "Confidentiality Agreement") that is satisfactory to the WB Group, its advisors and the Monitor, and which shall inure to the benefit of any purchaser of the Assets.

(c) Beginning on May 3, 2010 and until no later than June 15, 2010, Lazard shall undertake to distribute to all Phase 1 Qualified Bidders (as defined below) a detailed memorandum (the "Confidential Information Memorandum") describing the opportunity to acquire all or substantially all of the Assets.

(d) By no later than June 15, 2010 at 12:00 pm (prevailing Eastern Time), any Phase 1 Qualified Bidder interested in bidding on the Assets must submit to the Notice Parties (as defined below) an Initial Non-Binding Letter of Interest (as defined below) that identifies, inter alia, an initial purchase price range for the Assets. As promptly as possible thereafter, the WB Group and its advisors will notify all Phase 1 Qualified Bidders whether they have been selected as Phase 2 Qualified Bidders (as defined below).

(e) The Phase 2 Qualified Bidders will thereafter be invited to complete a due diligence process with regard to the Assets. The parameters of such due diligence process are set out at Paragraph 11 below.

(f) By no later than July 15, 2010 at 12:00 pm (prevailing Eastern Time), any Phase 2 Qualified Bidder must submit a Phase 2 Qualified Bid (as defined below) that complies with the requirements of Paragraph 13 below.

(g) By no later than August 2, 2010, after comprehensive evaluation of the Phase 2 Qualified Bidders and Phase 2 Qualified Bids and in consultation with their advisors, the WB Group shall, in its sole discretion, select a Stalking Horse Bidder (as defined below) and file motions with the Courts seeking approval of the Stalking Horse Documentation (as defined below), the sale of the Assets, bidding procedures and a scheduling of the Auction and sale hearing.

Assets to Be Sold

1. The WB Group is offering for sale all or substantially all of the Assets, as set forth in the Confidential Information Memorandum to be made available by the WB Group to Potential Bidders that have submitted the Participation Documents described in Paragraph 7 below and otherwise qualify as Phase 1 Qualified Bidders (as defined below).

"As Is, Where Is"

2. The sale of the Assets will be on an "as is, where is" basis and without surviving representations, warranties or indemnities of any kind, nature or description by the WB Group, the Monitor or any of their respective directors, officers, employees, agents, estates, advisors, professionals or otherwise, except to the extent set forth in the relevant sale agreement ultimately approved by the Courts.

Free Of Any And All Claims And Interests

3. All of the rights, title and interests of the WB Group in and to the Assets, or any portion thereof, to be acquired will be sold free and clear of all security, charges, pledges, liens, encumbrances, claims or other restrictions thereon and there against (collectively, the "Charges") as permitted by section 36(6) of the CCAA and sections 105(a), 363 and 365 of the Bankruptcy Code, such Charges to attach to the net proceeds of the sale of such Assets (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof).

Phase 1 Participation Requirements

4. Unless otherwise determined by the WB Group, in order to participate in the Solicitation Process, each Potential Bidder must deliver to the Notice Parties (as defined below, at the addresses provided below) the following documents (such documents, the "Participation Documents"):

(a) an executed Confidentiality Agreement;

(b) current audited financial statements and latest unaudited financial statements of the Potential Bidder or, if the Potential Bidder is an entity formed for the purpose of acquiring the Assets, current audited financial statements and latest unaudited financial statements of the equity holders or sponsors of the Potential Bidder who will guarantee the obligations of the Potential Bidder, or such other form of financial disclosure and credit-quality support or enhancement that will allow the WB Group and the Notice Parties to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the sale of the Assets (the "Sale");

(c) a letter setting forth the identity of the Potential Bidder (and, if applicable, its sponsor), the contact information for such Potential Bidder and its principal advisors, and full disclosure of any pre-petition or post-petition affiliations that the Potential Bidder has or may have with (i) the WB Group, (ii) any affiliates of the WB Group, (iii) any creditor of the WB Group, (iv) any holder of equity securities of the WB Group and (v) any current or former officers, managers or directors of the WB Group or its affiliates; and

(d) any other information reasonably requested by Lazard, in consultation with the Monitor and the WB Group.

Determination of Phase 1 Qualified Bidders and Distribution of Confidential Information Memoranda

5. As promptly as practicable after a Potential Bidder delivers the Participation Documents, a Potential Bidder that delivers the required Participation Documents, whose financial information and credit quality support or enhancement demonstrate to the WB Group's satisfaction the financial capability of the Potential Bidder to consummate the sale, that has executed a Confidentiality Agreement, and that the WB Group determine in its reasonable business judgment, after consultation with its advisors and the Monitor, is likely (based on availability of financing, experience and other considerations, including regulatory approvals) to be able to consummate the sale will be deemed a "Phase 1 Qualified Bidder." Contemporaneous with such determination, Lazard will undertake to provide the Phase 1 Qualified Bidder with a Confidential Information Memorandum. All Phase 1 Qualified Bidders will be invited to submit an Initial Non-Binding Letter of Interest pursuant to the terms of Paragraph 9 below.

Submission of Initial Non-Binding Letters of Interest and Determination of Phase 2 Qualified Bidders

6. A Phase 1 Qualified Bidder that desires to participate in due diligence shall deliver by no later than June 15, 2010 at 12:00 pm (prevailing Eastern Time) written copies of a non-binding indication of interest (an "Initial Non-Binding Letter of Interest") to the Notice Parties. All Initial Non-Binding Letters of Interest shall identify (i) the purchase price for the Assets (including liabilities to be assumed by the Phase 1 Qualified Bidder), (ii) the structure and financing of the transaction, including, but not limited to, the sources of financing for the purchase price, evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and any related contingencies, as applicable), (iii) an indication of the allocation of purchase price between the Canadian Debtors and the U.S. Debtor, (iv) conditions of employment to the extent employment will be offered to employees, including any incentive plans, (v) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments

for obtaining such approvals, (vi) additional due diligence required or desired to be conducted, (vii) any conditions to closing that the Phase 1 Qualified Bidder wishes to impose, and (viii) any other terms or conditions of the purchase proposal which the Phase 1 Qualified Bidder believes are material to the transaction.

7. As promptly as practicable, if a Phase 1 Qualified Bidder delivers an Initial Non-Binding Letter of Interest that the WB Group, after consultation with its advisors and the Monitor, determines in its reasonable business judgment is reasonably likely (based on the terms and conditions described in the Non-Binding Letter of Interest and other considerations, including regulatory approvals) to result in a sale, such Phase 1 Qualified Bidder will be deemed a "Phase 2 Qualified Bidder." Contemporaneous with such determination, such Phase 2 Qualified Bidder will be invited to complete a due diligence process pursuant to Paragraph 11 below.

Due Diligence

8. The WB Group may in its reasonable business judgment, and subject to competitive and other business and legal considerations, afford each Phase 2 Qualified Bidder such due diligence access to materials and information relating to the Assets as the WB Group deem appropriate. Due diligence access may include management presentations as may be scheduled by the WB Group, access to electronic data rooms, property tours, and other matters which a Phase 2 Qualified Bidder may reasonably request and as to which the WB Group, in its reasonable business judgment, may agree. The WB Group will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from such parties.

9. Neither the WB Group nor any of its affiliates (or any of their respective representatives) will be obligated to furnish any information relating to the Assets to any person other than to Phase 2 Qualified Bidders. The Monitor, Lazard and the WB Group make no representation or warranty as to the information or the materials provided, except, in the case of the WB Group, to the extent contemplated under any definitive sale agreement with a Successful Bidder executed and delivered by the applicable WB Group entities.

Phase 2 Qualified Bids

10. A bid will be considered a "Phase 2 Qualified Bid" only if the bid is submitted by a Phase 1 Qualified Bidder, pursuant to the previous paragraph and complies with all of the following so as to be received **not later than July 15, 2010** at 12:00 pm (prevailing Eastern Time):

(a) it states that the applicable Phase 2 Qualified Bidder offers to purchase all or substantially all of the Assets upon the terms and conditions substantially as set forth in the form of purchase agreement developed by the WB Group in consultation with its advisors and the Monitor (the "Purchase Agreement"), including, without limitation, with respect to certainty and timing of closing, or pursuant to an alternative structure (including, without limitation, an offer conditioned upon confirmation of a Plan of Reorganization proposed by the WB

Group either individually or in collaboration with such Phase 2 Qualified Bidder) or upon alternative terms and conditions that the WB Group determine are no less favorable than the terms and conditions of the Purchase Agreement;

(b) it includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable at least until the completion of the Auction;

(c) it includes a duly authorized and executed Purchase Agreement, including the purchase price for the Assets expressed in U.S. Dollars (the "<u>Purchase Price</u>"), together with all exhibits and schedules thereto and, to the extent required by the terms and conditions of such bid, any ancillary agreements as described in the Purchase Agreement with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such agreements), as well as copies of such materials marked to show those amendments and ancillary modifications to the Purchase Agreement ("<u>Marked Agreements</u>"), and such ancillary agreements (the "<u>Marked Ancillary Agreements</u>") and the proposed orders to approve the sale by the CCAA Court and U.S. Bankruptcy Court, proposed by the Phase 2 Qualified Bidder;

(d) it provides a full description of all applicable proposed expense reimbursements and break-up fees that would be applicable were the Phase 2 Qualified Bidder to be selected as a Stalking Horse Bidder (as defined below);

(e) it includes written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the sale, that will allow the WB Group, is advisors and the Monitor to make a reasonable determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the sale contemplated by the Marked Agreements and the Marked Ancillary Agreements;

(f) it is not conditioned on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder (and includes an acknowledgement and representation that the Phase 2 Qualified Bidder has had an opportunity to conduct any and all required due diligence regarding the Assets prior to making its offer) or (ii) obtaining financing;

(g) it fully discloses the identity of the entity that will be bidding for the Assets or otherwise sponsoring or participating in connection with such bid, and the complete terms of any such participation;

(h) it includes an acknowledgment and representation that the Phase 2 Qualified Bidder will assume the WB Group's obligations under the executory contracts and unexpired leases proposed to be assigned pursuant to the Purchase Agreement (or identifies with particularity which of such contracts and leases of the WB Group that the Phase 2 Qualified Bidder wishes not to assume, or alternatively which additional executory contracts or unexpired leases of the WB Group that the Phase 2 Qualified Bidder wishes to assume), contains full details of the Phase 2 Qualified

Bidder's proposal for the treatment of related cure costs; and it identifies with particularity any executory contract or unexpired lease the assumption and assignment of which is a condition to closing;

(i) it includes an acknowledgement and representation that the Phase 2 Qualified Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Assets or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in the Marked Agreement or the Marked Ancillary Agreements;

(j) it includes evidence, in form and substance reasonably satisfactory to the WB Group, of authorization and approval from the Phase 2 Qualified Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Marked Agreements and Marked Ancillary Agreements;

(k) it includes evidence, in form and substance reasonably satisfactory to the WB Group, of compliance or anticipated compliance with all regulatory approvals (including, if applicable, anti-trust and Investment Canada approvals), the anticipated time frame and any anticipated impediments for obtaining such approvals;

(l) it contains full details of the proposed number of employees of the WB Group who will become employees of the Phase 2 Qualified Bidder and any proposed measures associated with the continued employment and associated with the employment of all employees who will become employees of the Phase 2 Qualified Bidder;

(m) it includes evidence of the Phase 2 Qualified Bidder's ability to comply with Section 365 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such Phase 2 Qualified Bidder's ability to perform in the future the contracts and leases proposed in its bid to be assumed by or subleased to the Phase 2 Qualified Bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties to such contracts and leases;

(n) it identifies the Phase 2 Qualified Bidder's principal advisors;

(o) it contains other information reasonably requested by the WB Group; and

(p) it is received by July 15, 2010 at 12:00 pm (prevailing Eastern Time).

11. The WB Group will determine, in their reasonable business judgment whether to entertain bids for the Assets that do not conform to one or more of the requirements specified

herein and deem such bids to be Phase 2 Qualified Bids. The WB Group shall notify any Phase 2 Qualified Bidders in writing as to whether or not their bid constitutes a Phase 2 Qualified Bid promptly after receipt of the bid.

Evaluation of Competing Bids and Selection of "Stalking Horse"

12. A Phase 2 Qualified Bid will be valued based upon several factors including, without limitation, items such as the purchase price and the net value (including assumed liabilities and the other obligations to be performed or assumed by the bidder) provided by such bid, the claims likely to be created by such bid in relation to other bids, the counterparties to the sale proposed by the Phase 2 Qualified Bidder, the proposed revisions to the Purchase Agreement, the effect of the proposed sale on the value of the ongoing businesses of the WB Group (including ongoing relationships with customers and suppliers), other factors affecting the speed, certainty and value of the proposed Sale (including regulatory or other approvals required to close the Sale), any assets excluded from the bid, the estimated number of employees of the WB Group to be offered post-closing employment by the Phase 2 Qualified Bidder and any proposed measures associated with the continued employment of all employees who will become the employees of the Phase 2 Qualified Bidder, the transition services required from the WB Group post-closing and any related restructuring costs, and the likelihood and timing of consummating such Sale, each as determined by the WB Group, in consultation with its advisors and the Monitor. The WB Group reserves the right, taking into account all other factors set forth herein (including execution risk), to choose a successful bidder that did not offer the highest purchase price for the Assets. Following their review of the Phase 2 Qualified Bids and in consultation with its advisors and the Monitor, the WB Group shall, in its sole discretion, select a Phase 2 Qualified Bidder to serve as the stalking horse bidder (the "Stalking Horse Bidder"). The WB Group shall (i) execute definitive transaction documentation (the "Stalking Horse Documentation"), subject to CCAA Court and U.S. Bankruptcy Court approval and (ii) file motions with the Courts to approve the Stalking Horse Documentation by **no later than August 2, 2010**.

No Qualified Bids

13. If the WB Group does not receive any Phase 2 Qualified Bids or an insufficient number of Phase 2 Qualified Bids, the WB Group reserves the right, in consultation with its advisors to (i) extend the deadlines set forth in the SISP Procedures without further notice, and (ii) withdraw from sale, in whole or in part, any Assets at any time and to make subsequent attempts to market the same.

Additional Steps

14. As noted above, the SISP is to be conducted pursuant to the terms of the White Birch DIP Facility. By virtue thereof, the SISP constitutes an alternative to and shall be carried out in parallel to a process aimed at filing a joint Plan of Reorganization. The WB Group must file such a joint Plan of Reorganization on or prior to June 30, 2010 under the terms of the White Birch DIP Facility. If this is done, the SISP process shall be discontinued and all Phase 2 Qualified Bidders shall be informed thereof. However, should no joint Plan of Reorganization be filed by that date, the WB Group must pursue the SISP process and must complete certain additional steps leading to the sale of the Assets.

15. In particular, once a Stalking Horse Bidder has been identified, as noted above, the WB Group must seek and obtain approvals of the Courts of the Stalking Horse Documentation.

16. Concurrently, the WB Group must obtain approval of the Courts for bidding procedures ending in an auction of all the Assets (the "Auction"). Details of the bidding procedures and the Auction shall be set out in forthcoming documentations submitted to the Courts prior to the August 2, 2010 deadline mentioned above. The Courts must issue a bidding procedures order (the "Bidding Procedures Order") on or prior to August 16, 2010. The Auction must then be held on or prior to August 23, 2010.

17. At the conclusion of the Auction, a winning bidder shall have been identified (the "Winning Bidder"). The WB Group shall request that, by August 26, 2010, orders be entered by the Courts approving the sale of the Assets to the Winning Bidder(s). A transaction consummating the winning bid will then be concluded, which transaction shall be fully consummated on or prior to September 13, 2010, or, if the Winning Bidder is not the Stalking Horse Bidder and the only condition that has not been satisfied or waived is applicable regulatory approval, September 27, 2010.

Notice Parties

18. As used herein, the "**Notice Parties**" include all of the following: (i) White Birch Paper Company, Attn: Jay Epstein, Vice President – Finance, Treasurer & Secretary, 80 Field Point Road, Greenwich, CT 06830, Facsimile: (203) 661-3349; (ii) Debtors' U.S. counsel: Kirkland & Ellis, Attn: Christopher Marcus, 601 Lexington Avenue, New York, NY 10022, Facsimile: (212) 446-4900; (iii) Debtors' Canadian counsel: Stikeman Elliott LLP, Attn. Kevin Kyte & Jean Fontaine, 1155 René-Lévesque Blvd. W., Suite 4000, Montreal, Quebec, Canada, H3B 3V2, Facsimile: (514) 397-3222; (iv) Debtors' financial advisors: Lazard Frères & Co., Attn: Stephen Goldstein, 30 Rockefeller Plaza, New York, NY 10020, Facsimile: (212) 332-8670 and (v) the Monitor: Ernst & Young Inc., Attn: Martin Rosenthal, 800 René-Lévesque Blvd. West, Suite 1900 Montreal, Quebec, Canada H38 1X9, Facsimile: (514) 879-2600.

Reservation of Rights

19. The WB Group, after consultation with its advisors: (a) may reject, at any time, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the CCAA, the SISP Procedures, or any other orders applicable to one or more Debtors, or the terms and conditions of the Sale or (iii) contrary to the best interests of the WB Group, their estates, and stakeholders as determined by the WB Group; (b) may impose additional terms and conditions and otherwise seek to modify the SISP Procedures at any time; (c) may withdraw from sale any Assets at any time and make subsequent attempts to market the same; and (d) may reject all bids.

20. These SISP Procedures do not, and shall not be interpreted to, create any contractual or other legal relationship between any member of the WB Group and any Potential Bidder, Phase 1 Qualified Bidder or Phase 2 Qualified Bidder, other than as specifically set forth in definitive agreements that may be signed with the WB Group.

Credit Bid

21. Notwithstanding anything herein to the contrary, including without limitation, the bidding requirements herein, the agent under the White Birch DIP Facility (the "DIP Agent") and the agent to the WB Group's first lien term loan lenders (the "First Lien Term Agent"), on behalf of the lenders under White Birch DIP Facility and the WB Group's first lien term loan lenders, respectively, shall be deemed Qualified Bidders and any bid submitted by such agents on behalf of the respective lenders in respect of all or a portion of the Assets shall be deemed both Phase 1 Qualified Bids and Phase 2 Qualified Bids. The DIP Agent and First Lien Term Agent, on behalf of the lenders under the White Birch DIP Facility and the WB Group's first lien term loan lenders, respectively, shall be permitted, in their sole discretion, to credit bid up to the full amount of the claims under the White Birch DIP Facility and the first lien term loan agreement, respectively.