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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 – MARCH 15, 2012

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 now scheduled to expire on March 30, 2012.

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

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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.

referred to collectively as "**WB Group**" or "**Companies**"). 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 ("**U.S. Court**") at the request of 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 more complete hearing to be held on March 22, 2010. 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 restructure their business and financial affairs.

5. By judgement dated September 28, 2010[7], the Court approved the sale of the assets and undertakings of the Companies to BD White Birch Investments LLC ("**BDWBI**"), in accordance with the terms and conditions of an asset sale agreement ("**ASA**"). The ASA contains certain preconditions that have to be met before a closing can take place, and to date these conditions have not been met, despite the fact that over 17 months have elapsed since the Court approved the sale of the assets to BDWBI.

6. The Initial Order was made on February 24, 2010 and was extended on several occasions since that date. The most recent order of the Court extending the Initial Order was made on February 24, 2012 and grants an extension until March 30, 2012.

7. At the time of the hearing on the Companies' motion for an extension of the Initial Order, on February 24, 2012, the Court requested that the Monitor provide a more detailed report on the alternatives and timelines, in the event that the contemplated transaction whereby BD White Birch Investment LLC ("**BDWBI**") would acquire the assets and undertakings of the Companies, cannot be completed.

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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*.

[7] A motion for leave to appeal from this judgment was filed on October 15, 2010, and a judge of the Court of Appeal dismissed such motion on October 25, 2010.

8. The present report is intended to provide the Court with additional information regarding the options available, from the Monitor's perspective, in view of the delays to close the sale. This report is presented under the following headings:

   8.1. Introduction and background;

   8.2. Terms of reference and disclaimer;

   8.3. Sale process to date;

   8.4. Outline of available options;

   8.5. Alternative sale process – relevant background information;

   8.6. Legal framework

   8.7. Alternative options – procedures and timelines; and

   8.8. Conclusions and recommendations.

TERMS OF REFERENCE AND DISCLAIMER

9. 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, 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.

10. 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.

SALE PROCESS TO DATE

Proposed Asset Sale Agreement

11. The sale and investor solicitation process ("**SISP**") which led to the proposed assets sale agreement ("**ASA**") with BDWBI is described more fully in our previous reports.

12. The ASA provides that various conditions need to be met before closing can take place. The conditions are essentially as follows:

    12.1. Obtaining regulatory approval, as required under the *Competition Act*[8] and *Investment Canada Act*[9].

    12.2. Execution of a new collective bargaining agreement ("**CBA**") with the collective bargaining agent[10]. The main hurdle in the negotiation appears to be the discussion surrounding the pension benefits on a going forward basis.

    12.3. An agreement has to be made with the non-unionized employees, to determine their conditions of employment.

    12.4. There are other pre-conditions to a closing that have not yet occurred (no breach of representations and warranties, no breach of covenants, closing deliveries, etc.).

13. The Monitor understands the current status of these is as follows:

    13.1. With regards to regulatory approval, the Commissioner appointed under the *Competition Act* issued a "no action" letter regarding the contemplated sale and purchase transaction between the Companies and BDWBI, meaning that the parties may proceed with the transaction. The Companies and BDWBI are still awaiting an authorization from Industry Canada pursuant to its review of the proposed transaction under the *Investment Canada Act*. We understand from our discussions with counsel of BDWBI that Industry Canada is seeking some confirmations from BDWBI

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8 *Competition Act*, R.S.C. 1985, c. C-34, as amended.

9 *Investment Canada Act*, R.S.C. 1985, c. 28 (1st supp.), as amended.

10 the Communication, Energy and Paperworkers Union ("**SCEP**").

regarding its intentions with respect to the future activities of the Companies, and that these can only be provided by BDWBI after negotiations with the workforce regarding the terms of the CBA are finalized.

13.2. With regard to the negotiations with the unionized workforce:

13.2.1. the Monitor has been informed that agreements in principle were reached with the union representing the employees for two of the Companies' three plants in Canada, namely the plant in Gatineau ("**PML**") and the plant in Rivière du Loup ("**Soucy**").

The Monitor was informed that term sheets have been agreed to between the Companies and SCEP, subject to the approval of the members of the union at a vote.

13.2.2. With regard to the plant in Québec City ("**Stadacona**"), a final offer was made on March 8, 2012, asking SCEP to provide its answer by March 14, 2012. White Birch is of the view that Stadacona could re-open within one month following confirmation of a settlement with SCEP. The Monitor has been informed that if the offer is accepted, the Companies would have to complete negotiations with the Québec provincial government and the City of Québec to achieve the immediate cost savings required to allow the Stadacona plant to re-open. The Companies report that this process is well underway and that they expect that an agreement could be reached within a week.

We have attached to this report, as Appendix "A", a copy of the status reports from the attorneys representing WB Group and from the attorneys representing BDWBI, regarding the progress and current status of the negotiations for a new CBA with the unionized work force and the re-opening of the Stadacona plant.

We have also attached, as Appendix "B", a copy of the status report received from the attorneys representing SCEP, dated March 14, 2012. It appears from this status report that the meetings of the union members to vote on the offers made by the Companies to modify the CBAs could be held towards the end of March 2012.

13.3. With regard to the non-unionized workforce, the Monitor understands that BDWBI and management are confident that an agreement can be reached rapidly, once the discussions with the unionized workforce are completed. The Monitor has received, on March 14, 2012, a letter from the lawyers representing the non-unionized employees' pension plan, attached to this report as Appendix "C".

13.4. With respect to the other conditions to closing (representations and warranties, etc.), the Monitor was advised by BDWBI and management that in view of the time elapsed and the knowledge that BDWBI has acquired of the Companies' business since the approval of the ASA, BDWBI and management do not anticipate these will be problematic.

Closing of the ASA

14. The Monitor has been informed that a vote on the term sheets has not yet been scheduled, although the SCEP indicated that a vote could take place towards the end of March 2012. The Monitor believes that a further delay of approximately 60 days would still be required after the tentative agreements are ratified by the employees, and as such the Monitor believes that the closing will not occur until the end of May, 2012 at the earliest.

15. One of the difficulties encountered with respect to the ASA since it has been approved by the Court, is the status of the Stadacona facility. The ASA contemplated the sale of substantially all of the assets of WB Group, including the Stadacona plant. Since the ASA was approved by the Court, the Companies decided to temporarily shut down the Stadacona plant, on December 9, 2011, and subsequently decided to permanently shut down the plant in mid January 2012. The decision to close the plant was made in consultation with BDWBI, who agreed that the closure of the Stadacona plant would not constitute a default preventing the occurrence of a closing of the transaction contemplated by the ASA.

16. As mentioned earlier in this report, the Companies and BDWBI are still discussing with SCEP the possibility of implementing a new CBA in respect of Stadacona, and if that occurs, will be completing negotiations with the Québec provincial government and the City of Québec to achieve the cost savings required to make the plant viable economically. As such, there is a possibility that the Stadacona plant may re-open.

17. In the event that the Stadacona plant cannot be reopened, as the case may be, the Monitor believes that the transaction contemplated in the ASA could still be completed, for the reasons indicated below.

18. The ASA already provides that BDWBI can elect to exclude certain immovable property from the sale, without any adjustment to the sale price. Presumably, the ASA could also be modified to provide that BDWBI can elect to exclude any property from the sale, without an adjustment to the sale price, as this would have no impact whatsoever on the vendors, except possibly to provide additional proceeds, if the excluded assets have any value. Finally, BDWBI could elect to acquire the assets in their mothballed state, either to keep them for future use, sell them or liquidate them. All of these situations would allow for the closing of the ASA without any fundamental change in the structure of the transaction, notwithstanding the fact that the Stadacona plant is no longer in operation.

19. BDWBI has indicated that it is aware that in view of the very different and difficult economic conditions facing the Stadacona plant, it may never re-open. BDWBI has indicated that it is prepared to proceed to closing of the transaction contemplated by the ASA even if the plant does not re-open.

Outlook for the creditors from the closing of the ASA

20. In its report dated September 23, 2010, the Monitor indicated that it expected that little or no proceeds would be available for distribution to the creditors, from the proceeds of the sale of the assets of the Companies.[11] Based on the financial information presently available, the Monitor continues to believe that the distribution to the creditors, if any, would not be significant.

21. The main benefits of the proposed transaction would be to retain employment for the Companies' workforce, to provide the suppliers with a continuing customer, and to preserve value for the first ranking secured creditors of the Companies.

OUTLINE OF AVAILABLE OPTIONS

22. As previously noted, even if the parties cannot come to the terms concerning a new CBA at Stadacona, including the pension deficit issue and the financial package required to reopen the Stadacona plant, BDWBI may well decide nonetheless to conclude the ASA by either electing to exclude certain assets or by purchasing all the asset including the Stadacona plant in its moth-balled condition.

23. In its report dated February 20, 2012, the Monitor outlined for the Court the options that, from the Monitor's perspective, are available in the event that it became impossible to complete the transactions contemplated in the ASA. At the hearing held on February 24, 2012, the Court requested that the Monitor expand on the options, to address likely timelines and whether or not a change in the legal framework of the procedures could be contemplated or required. The available options and frameworks are described more fully below.

24. The Monitor considers that the best option, at this time, is to await the outcome of the sale process that is already under way, to see if the transaction contemplated in the ASA can be completed. However, in the event it becomes impossible to complete the transaction, two alternatives are imaginable, namely:

    24.1. That the Companies forego the process of restructuring through a sale of assets and try to offer a settlement or compromise to the creditors, through a payment of a portion of their debt over time.

    24.2. That the Companies' assets are offered for sale in a new, alternative sale process.

25. Before commenting the above-mentioned two options, it is important to emphasize that given the very significant debt load of the Companies, the amounts owing to secured creditors and the fact that the interim financing is now subject to weekly renewals, the Companies may not have the required creditor support to implement same and may be made subject, in whole or in part, to enforcement or bankruptcy proceedings.

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[11] Monitor's Report dated September 23, 2010 at paragraph 28.

26. With regard to the first option, a settlement with the creditors, the Monitor believes this alternative is likely not viable. As stated in our previous report, the Monitor makes this assessment in view of the need to obtain financing for the operations, the limited cash flow generated by the operations in the present structure, and the extent of the secured and unsecured debt load of the Companies.

The Monitor believes that if the restructuring is carried out as a settlement with the creditors, the Companies would still have to obtain significant concessions from the employee unions.

As well, the Monitor believes the Companies will require financing on an on-going basis for its operations and for capital improvements, and this financing may be difficult to obtain without additional capital injections from the Companies' shareholders. Additional capital injections by the shareholders are only likely to be made in situations where there is concession from the employees on the pension deficit issue, and/or where the Companies' debt load is significantly curtailed.

The extent of the secured and unsecured debt and the requirement for financing and capital injections presuppose that significantly all of the secured debt due to the First Term Loan will have to be written off, and that an offer to the ordinary unsecured creditors, if any, would be insignificant. As such, the likelihood of success of such a restructuring process is doubtful at best.

27. With regard to the second option, namely the inception of an alternative sale process, the Monitor believes that the sale process would have to be designed to allow flexibility from the perspective of the potential purchasers, regarding whether they are interested in the assets on a going concern basis, or in parcels to liquidate same.

More specifically, the Monitor believes that it is unlikely that a sale process would yield a going concern solution for all of the Companies' plants, in view of the fact that a prospective purchaser interested in acquiring the plants on a going-concern basis will undoubtedly require that an agreement be reached with the employees regarding the terms and conditions of employment in the future.

As the pension deficit issue has proven to be a difficult hurdle for BDWBI in completing a transaction, it is likely that a prospective purchaser interested in the plants to operate them as a going concern would encounter similar hurdles and experience similar delays in completing a transaction. BDWBI has indicated that unless the pension deficit issue is resolved, it would be impossible to attract investors and satisfy lenders. The Monitor expects a prospective purchaser contemplating an acquisition of the plants to operate them as a going concern would be faced with the same difficulties.

28. In view of the foregoing, the Monitor believes a sale process should be structured in a way such that a prospective purchaser could acquire the assets by parcels or lots, such that a prospective purchaser would not be compelled to purchase an entire plant or several or all of the plants, but would have this opportunity if the prospective purchaser wishes.

29. Again, while it is not excluded that an offer or offers could be received for one or more of the plants on a going concern basis, the Monitor believes it is unlikely that such an offer would be received for one of the Canadian plants, and that indeed it is far more likely that the process would result in a liquidation of the Companies' assets and dismantling of the plants. The Monitor comes to this assessment in view of the current environment, where there is an overcapacity in the market, demand is dwindling and on the need for any prospective purchaser to resolve on a going-forward basis the pension deficit.

30. The second option as outlined in paragraphs 27 to 29 above should not prevent the presentation of an offer for one or more of the plants, if a going concern solution is possible. However, the Monitor continues to believe that if the transaction cannot be concluded with BDWBI, the problems that will have caused the transaction to fail will be equally prevalent in the context of any other similar going concern transaction, making such a going concern solution unlikely.

31. As mentioned at the hearing on February 24, 2012, the Monitor received a letter from the Comité de Relance de Stadacona ("**CRS**"), dated February 23, 2012, pertaining to the Stadacona plant. A copy of the letter received from CRS and the response given to this letter by the Monitor's attorneys, are attached to this report as Appendix "D". The CRS letter does not constitute an offer to purchase the assets, but rather an expression of interest to make an offer. The letter does not specify a sale price or payment terms, but specifies a very significant series of conditions that must be met before an offer is formulated. In particular, the letter states that any offer would be conditional upon the formation of a workers' cooperative who would become the owner of the plant and obtaining the necessary financing. The letter specifies that the proposed purchaser would not assume the liabilities related to the plant. With regard to the pension plan deficit, the letter does not indicate whether or not it would be assumed by the proposed purchaser, as additional financial analysis is required before the transaction can be structured.

    The Monitor's attorney responded to the CRS that in view of the sale process that is currently under way, the Companies are not at liberty to consider an expression of interest or offer in respect of the Stadacona plant, but that the CRS' potential interest will be taken into consideration if another sale process becomes necessary.

ALTERNATIVE SALE PROCESS – RELEVANT BACKGROUND INFORMATION

Alternative Sale process in Canada and in the US

32. An important factor to remember in the context of a new sale process to be undertaken if and when the ASA cannot be completed, is the fact that coordination of the sale efforts between Canada and the US may become difficult, if not impossible. In the context of the SISP, there was a common objective of packaging the assets for sale as a going concern.

33. In the context of a new sale process, the US plant (Bear Island) may still be of interest to prospective purchasers on a going concern basis, because the US plant does not present the same hurdles relating to pension deficits and collective bargaining agreements. As such, the

approach to seek out potential purchasers may be different in Canada and in the US, and the processes could run at cross purposes.

Value of assets

34. The most recent available financial information consists of internally prepared financial statements for the year ended December 31, 2011. These were included (and commented on) in the Monitor's report dated February 20, 2012. An additional copy of the financial statements is attached as Appendix "E".

35. We prepared a breakdown of the balance sheet by major entity, based on the information supplied by the Companies. The balance sheet, broken down by entity, is presented in Appendix F.

36. The Companies report that the assets of all of the entities have an estimated carrying value, in aggregate, of US$1,535.0 million, comprised of:

    36.1. Investments in affiliates of US$557.1 million, including an investment in SP Newsprint having a carrying value of US$24.6 million;

    36.2. Fixed assets having a carrying value of US$425.1 million;

    36.3. Amounts due from affiliates of US$247.1 million;

    36.4. Accounts receivable totalling US$151.6 million;

    36.5. Inventories having a carrying value of US$89.1 million;

    36.6. Cash of US$50.7 million[12];

    36.7. Prepaid expenses and deposits, having a carrying value of US$13.0 million; and

    36.8. Miscellaneous assets having a carrying value of US$1.2 million.

37. It should be noted that when considering the breakdown of the balance sheet by entity, the assets (and equity) may be overstated for some of the entities, in view of the fact that the assets include investments in and advances to the affiliates, which may not have any value when the affiliates are insolvent. At this point, all of the investments in affiliates relate to investments in entities that are insolvent, as SP Newsprint has filed for protection under Chapter 11 of the Code in November 2011.

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[12] This amount includes cash collateral of US$3.3 million. We expect such cash collateral would be required to discharge the obligations to which it relates. We understand that the accounts receivable, cash and inventories of Bear Island, totalling US$43.5 million, may be encumbered by the security of the first term lenders and swap counterparties, through a replacement charge granted by the U.S. Court to provide adequate protection to the lenders with a senior charge, however we understand such charge would only apply inasmuch as the security granted in favour of the interim financing lender affects the security that is otherwise available to secure the debt to the first term lenders and swap counterparties.

As well, some of the assets, such as the fixed assets, would likely have a realizable value that is significantly lower than their carrying value.

Security charging the assets

38. Based on our understanding of the security granted by the Companies to their lenders, the interim financing lender has security over all assets and undertakings of the Companies, in support of its debt. The first ranking term lenders, swap counterparties and second ranking term lenders have security over all assets and undertakings of the Companies, except for the cash, accounts receivable and inventories, which have a carrying value of approximately US$153.7 million on a consolidated basis[13]. The internal financial statements for the year ended December 31, 2011 (Appendices E and F) indicate that the amount due in connection with the interim financing is approximately US$88.0 million and the amount due to the term lenders and swap counterparties totals approximately US$608.6 million, for a total secured debt of approximately US$696.6 million.

39. We point out that while the Companies report that the assets have a carrying value of US$1,535.0 million (on a non-consolidated basis), the results obtained from the auction held in connection with the SISP undertaken by the Companies suggest that the assets have a value far lower than their current reported carrying value. Based on the transaction that is presently contemplated with BDWBI, the assets' value would be in the US$310 million to US$345 million range[14]. This amount would include substantially all valuable assets, and we expect that the value of the assets would be even lower in a context of an outright liquidation.

40. In view of the extent of the secured debt and the secured creditor's interest in the outcome, the Monitor believes that the secured creditors should be consulted in developing the alternative sale process, in particular the interim financing lender, who was given a superpriority secured status and was given the right to enforce its security on a five days advance notice, in the Initial Order. The interim financing facility is a delayed draw term loan, although the term has expired and has been extended by agreement between the Companies and the interim financing lender. In the recent past, the extensions of the term have been for relatively short periods of time, as the loan has been extended on a week by week basis. In view of the expiry of the credit facility, the superpriority and the enforcement

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[13] We have excluded cash collateral of US$3.3 million from this amount, as we expect such cash collateral would be required to discharge the obligations to which it relates. We understand that the accounts receivable, cash and inventories of Bear Island may be encumbered by the security of the first term lenders and swap counterparties, through a replacement charge granted by the U.S. Court to provide adequate protection to the lenders with a senior charge, however we understand such charge would only apply inasmuch as the security granted in favour of the interim financing lender affects the security that is otherwise available to secure the debt to the first term lenders and swap counterparties.

[14] As mentioned earlier in this report, the sale price (and thus the value of the assets) cannot be determined with accuracy, in view of the fact that the transaction with BDWBI is based on the purchase of the assets as they will exist at closing, and that the sale price takes into consideration assumed liabilities and contract cure costs which are not yet determined. For the purpose of the calculation herein, we have taken into consideration an estimated value of U$$135 million to US$170 million for the assumed liabilities and cure costs.

rights, the Monitor considers it is essential that the interim financing lender agrees to any proposed sale process before it is set in motion.

Pension deficits

41. The financial statements indicate that the pension deficit liability amounts to US$173.4 million. As mentioned in the Monitor's report dated February 20, 2012, the actual pension deficit liability is much higher than the reported amount, and is estimated to be in the $300 million to $400 million range[15].

42. The pension funds and retirees have indicated in the past that their position has deteriorated since the issuance of the Initial Order. While the pension deficit appears to have increased significantly, this increase is not attributed to the operations, nor to the suspension of amortization payments since the issuance of the Initial Order, but rather to changes in actuarial methods used in estimating the pension deficits, changes in expectations regarding market conditions, and the fact that retirees continue to receive their pension without abatement although the pension plan is underfunded. The fact that benefits continue to be paid without abatement while the pension fund is underfunded results in an deterioration in the plans' funded status (plan assets divided by plan liabilities) at an increasing rate.

43. The SCEP and the pension funds have applied to the Court for a determination (inter alia) of the relative priority of the claims of the pension funds and of the secured creditors. A hearing was held in connection with some of the issues raised in these motions, namely whether or not the Initial Order should be modified to provide for on-going payment of past service contributions due to the pension plans and/or to provide that the unpaid amounts due to the pension plans for past service contributions rank in priority to the interim financing charge. The Court has taken the matter under advisement.

Outlook for the creditors from a sale process

44. Based on the foregoing comments regarding the value of the assets and extent of the secured debt, it appears that there is not sufficient value in the encumbered assets to repay the secured creditors in full, and in fact the Monitor expects the secured creditors will incur a substantial loss.

45. With regards to the assets that are not encumbered by the term lenders' security (cash, accounts receivable and inventories having an approximate carrying value of US$153.7 million), the Monitor expects that these assets would be used firstly to satisfy the debt relating to the interim financing facility of US$88 million. Considering that the debt in

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[15] In the context of the preparation for the hearing held on January 26 and 27, 2012, the Company's actuaries prepared an estimate of the union and non-union pension plan's solvency deficit at October 31, 2011, and indicated that the deficit is estimated to be $310 million at that date. This amount does not take into consideration the potential increase in pension plan deficit due to the effect of "cliffs", or pension members who have reached or are reaching an age at which they can take an early retirement. In the material filed in connection with the motions to vary the initial order, in November 2011, the impact of the "cliffs" was estimated to be approximately $101 million for the union pension plans.

connection with the interim financing facility all appears as due by WB Canada[16] in the Companies' records, the likelihood of funds being available for distribution to ordinary unsecured creditors, from these assets, will depend on the extent of the difference between the carrying value of the assets and their liquidation value, and on the breakdown in assets between WB Canada and Bear Island. Based on the information presently available, the Monitor believes that it is likely that the distribution to the ordinary unsecured creditors of WB Canada would not be significant.

LEGAL FRAMEWORK

46. As indicated above, the sale process contemplated by the Monitor, in the event that it becomes impossible to conclude the ASA, is designed to provide as much flexibility as is possible, to allow for a sale of one or more of the plants as a going concern, if it is possible, and an outright liquidation of the assets if a going concern purchaser cannot be identified.

47. In that context, the Monitor anticipates it would be prudent to maintain the operations until the sale process has run its course, unless the operations become uneconomical. As such, the Monitor would recommend no change in the legal framework in which the Companies operate, while the sale process progresses.

48. A continuation of the protection afforded by the Initial Order while the sale process progresses would allow the preservation of options, by allowing an eventual going concern transaction if a prospective purchaser manifests itself; avoiding the shutdown and forced liquidation of the plants' assets; preserving rights under contracts; preserving the rights to timber supplies and forest management contracts[17]; facilitating the transfer of contracts to a prospective purchaser; and preserving the supply of public utility services.

49. Once a sale transaction has been identified, however, it may conceivably be preferable to consider a bankruptcy of one or more of the entities, or all of the entities comprising WB Canada, including for the following reasons:

    49.1. To allow for participation by the creditors in the administration of the estates;

    49.2. To allow employees who may have lost their employment as a result of the liquidation of the assets, the opportunity to be indemnified for any unpaid salary, vacation and/or severance, to the extent provided by the law, under the program established in virtue of the *Wage Earner Protection Program Act*[18]. The Wage

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[16] The funds were advanced to entities comprising WB Canada and as such they appear as due in the records of the entities comprising WB Canada, although Bear Island is also obligated towards the interim financing lender, as a co-borrower and guarantor.

[17] Colloquially referred to as "CAAFs", for Contrats d'Approvisionnement et d'Aménagement Forestier, pertaining to contracts made pursuant to the *Forest Act*, R.S.Q., chapter F-4.1.

[18] *Wage Earner Protection Program Act*, S.C. 2005 c. 47 as amended and complemented by S.C. 2007, c. 36, as amended.

Earner Protection Program does not provide an indemnity to the employees who have lost their employment, unless the employer is bankrupt or in receivership[19];

49.3. To assess whether any transaction that occurred prior or subsequent to the Initial Order could be considered as a preferential payment, transaction at undervalue or other reviewable or voidable transaction;

49.4. To provide finality in the administration of the proceedings; and

49.5. To ensure that the distribution of proceeds, if any, follows the scheme of distribution contemplated by the *Bankruptcy and Insolvency Act*.

As such, the Court may be asked to make a bankruptcy order or to authorize the Companies to file an assignment pursuant to the provisions of the *Bankruptcy and Insolvency Act*.

50. The Monitor understands that other competing concerns may arise, which might militate in favour of maintaining the proceedings under the CCAA, instead of procuring a bankruptcy of the entities. These concerns could include, for instance, the possibility to provide a release in favour of directors and other third parties; potentially different ranking of certain claims; the possibility of preparing a consolidated plan to avoid duplication of claims in the context of a distribution, if an when a distribution occurs.

51. In view of the possibility of competing concerns, the Monitor is not prepared to assess, at this juncture, whether there would be a marked advantage of procuring a bankruptcy over maintaining the proceedings under the CCAA. The Monitor believes that the decision to transfer the proceedings into proceedings under the *Bankruptcy and Insolvency Act* or to maintain same under the CCAA is not an urgent decision at this juncture and that the status quo should be preserved so that the competing interests of all partiers can be fully taken into consideration in making the decision, if and when such a determination is made necessary.

ALTERNATIVE OPTIONS – PROCEDURES AND TIMELINES

52. As indicated in the Monitor's report dated February 20, 2012, the Monitor strongly believes that it would be preferable to await the conclusion of the currently undertaken sale process before implementing any alternative option such as a new sale process, given the likelihood that it would lead to a liquidation of the plants, resulting in significant loss of employment and dire consequences for all important stakeholders.

53. If the ASA cannot be completed in accordance with the process that is presently underway, the Companies and BDWBI could elect to exclude assets as provided for in the ASA or explore the possibility of modifying the ASA to exclude the assets pertaining to Stadacona, with a view to achieve a going concern solution at least for the Soucy, Papier Masson and Bear Island plants.

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19 Section 2(1) of the *Wage Earner Protection Program Act*, in the French version.

54. The Monitor expects that a delay of approximately 60 days is necessary to complete a transaction in respect of Soucy, Papier Masson and Bear Island.

55. If it became impossible to conclude a transaction with BDWBI, the Monitor believes that the Companies should immediately thereupon initiate a new sale process. The Monitor does not believe that the Companies should await the expiry of a stay period or otherwise return to Court to seek an approval to commence a new sale process, but should immediately undertake the new sale process, even though it would likely result in a liquidation.

56. In view of their interests in the assets, secured creditors should be consulted on the design of the sale process, segregation by lots or parcels, and the cooperation of the interim financing lender should be sought. The Monitor believes that a time period of approximately 1 to 2 weeks would be necessary to design the sale process in consultation with the secured creditors, and draft conditions of the tender and a sale package. During this period of time, negotiations would also have to be carried out with the creditors of Bear Island, to assess the degree of cooperation that can be achieved between the Canadian and U.S. estates in designing a sale process.

57. The Monitor believes that an additional 3 to 4 weeks would be required to prepare an inventory listing detailing the assets offered for sale and assembling the information that may be required by prospective purchasers.

58. The Monitor suggests that the sale process should be publicized in the media, in national newspapers and in specialized trade publications for the paper industry. The Monitor believes that in view of the size, value and geographical distribution of the assets, a time period of approximately 4 to 6 weeks would be necessary to allow prospective purchaser to obtain information, conduct any examination or review of the operations they may require, and formulate their offer.

59. The result of the tender process would likely determine the timing of any change in the proceedings from restructuring proceedings under the CCAA to bankruptcy proceedings, as the case may be.

CONCLUSIONS AND RECOMMENDATIONS

60. The Monitor has been informed that significant progress has been made in the discussions with the SCEP towards a new CBA. The Monitor understands the parties are now close to an agreement, and the parties are hopeful that an agreement can be reached.

61. Based on discussions with representatives of WB Group, the Monitor believes it has acted and is continuing to act in good faith and with due diligence.

62. The Monitor strongly believes that it would be preferable to await the conclusion of the currently undertaken sale process before implementing any alternative option such as a new sale process, given the likelihood that it would lead to a liquidation of the plants, resulting in significant loss of employment and dire consequences for all important stakeholders.

63. The Monitor continues to believe that an involvement of the Court is helpful to provide the parties with a sense of urgency, and as such the Monitor reiterates the recommendation formulated in its report dated May 9, 2011, that the Court should request that the attorneys for the Companies, the SCEP and BDWBI attend periodic conferences with the Court or to submit detailed reports to update it on the progress of the negotiations.

64. If it became impossible to continue with a transaction as contemplated in the ASA, the Monitor believes the Companies should immediately thereupon undertake an alternative sale process on the basis outlined in this report, without delay.

65. A decision regarding whether the proceedings under the CCAA should be discontinued in favour of bankruptcy proceedings under the *Bankruptcy and Insolvency Act* is not urgent at this juncture, and the legal framework within which the Companies operate should be reassessed at a later date, when the results of the sale process become known, to preserve flexibility.

All of which is respectfully submitted this 15th day of March 2012.

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 – Status reports from WB Group on the progress of the negotiations for a new collective bargaining agreement

January 27, 2012

Hand Delivered

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Dear Sirs:

Re: ***White Birch Paper Holding Company et al***
White Birch's Summary and Update on Transaction for the Sale of its Assets as at January 27, 2012
SCM: 500-11-038474-108

This letter is intended to provide you with an update on the negotiations in connection with the transaction for the sale of all or substantially all of the assets of the White Birch Paper Group ("**White Birch**") to BD White Birch Investments Inc. (the "**Purchaser**") since our letter dated November 29, 2011 which was delivered to you and to the Court.

Over the course of 2011, the economic circumstances affecting White Birch's Quebec mills, as well as the newsprint industry in general, deteriorated. These economic circumstances include the following:

1. The newsprint industry fundamentals have continued to erode. Digital sources of information have caused the demand for North American newsprint to continue to decline. According to RISI, in 2011 North American newsprint demand declined 7.4%. As a result, White Birch's export sales, which generally have lower net price realizations than North American sales, have increased. All of this happened while the Canadian dollar and various inputs have increased in cost. The newsprint industry is simply a more difficult business now than it has been at virtually any time in its history. Since the September 2010 auction of the White Birch assets, ten (10) North American newsprint and coated paper mills have announced partial or full closure.

2. The solvency ratio for each of the pension plans at each of the mills has declined given particularly the low interest rate environment and the poor stock market performance. Coupled with required changes to the actuarial assumptions used in calculating the liabilities of a pension plan, the total pension liabilities of White Birch's union and non-union pension plans increased by nearly 50% through the first 9 months of 2011, rising

from an estimated $209 million as of December 31, 2010 to an estimated $312 million as of September 30, 2011 (excluding cliff liabilities). If one includes the cliff liabilities, the solvency deficit has increased from an estimated $299 million as of December 31, 2010 to an estimated $424 million as of September 30, 2011.

3. Having conducted mill by mill viability analyses and considering the refusal of the Communications, Energy and Paperworkers' Union of Canada (the "**Union**") to negotiate a global solution to the pension problems facing the White Birch business, White Birch determined that it could no longer afford to continue operating the money losing Stadacona plant and therefore announced on November 16, 2011 that it would close the plant temporarily on December 9, 2011. As indicated in the Monitor's November 25, 2011 Report, the underlying rationale behind the closure of the Stadacona plant was the fact that it was losing money and its cost structure was approximately $65 per ton higher than White Birch's other Quebec mills. One of the largest contributors to that cost disadvantage is that Stadacona is dependent upon recycled fibres and chemicals to treat those fibres, the cost of neither of which are within the control of White Birch, the Union or the governments. Recycled fibre pricing increased dramatically during 2011, increasing the overall cost of production at Stadacona.

4. On November 29, 2011, we advised the Court and all parties that White Birch intended to proceed to make mill specific offers and to try to negotiate resolution of these issues on a mill by mill basis. The economics of each mill are different, and historically each mill has held separate negotiations between mill management and mill level union executives to deal with everything from local rules to wages and pensions.

5. On December 9, 2011, with the Court having issued its decision dismissing the Union's motion and finding that the announced closure was not a lock out but a justified shut down for economic reasons, the Stadacona mill was shut down temporarily.

6. After the hearing concluded on November 29, 2011, White Birch attempted to arrange meetings at the Papier Masson Ltée ("**PML**") and F.F. Soucy ("**Soucy**") mills between mill management and executives of the mill union locals. However, White Birch was told by the local union executives that the National Union had directed them not to meet. Meanwhile, Mr. Renaud Gagne, the Quebec Vice President of the National Union, requested further "global" meetings in Montreal. As more fully detailed in our November 29, 2011 letter, White Birch and the Purchaser have already made several good faith attempts to negotiate on such basis, including having attended at least 4 times in either Montreal or Ottawa to have such meetings. In each case, they were rebuffed by the Union. It is White Birch's view, supported by the Purchaser, that such "global" meetings would not be productive and would merely be an attempt by the National Union to urge its locals to push for the Abitibi model.

7. The Abitibi model is predicated on amortizing the solvency deficit over a 15 year period with relatively low payments over the first 10 years and relatively high payments over the final 5 years. Given this payment structure, together with unrealistic return assumptions

for today's economic environment, the Abitibi model will result in exploding deficits in the future, most likely resulting in a subsequent CCAA filing and any new investors losing their entire investment.

8. In the testimony of its representatives on November 29, 2011, the Union has acknowledged that the Abitibi pension model is effectively a gamble that the stock markets and the newsprint industry will recover within 10 years or else there will be an industry wide failure and forced restructuring. These Union representatives also acknowledged that they have been repeatedly advised that a purchaser would never invest amounts sufficient to acquire these assets if to do so it would have to assume the liabilities of the pension plan in their totality under the Abitibi model or otherwise.

9. The Union has demonstrated, over the course of the last year, a shocking lack of economic reality: faced with the very real prospect of mills being closed if changes are not made to the pension plans and structure, the Union has chosen to refuse to negotiate and to demand that its locals not negotiate, and therefore apparently was prepared to sacrifice the jobs of their members to support the Abitibi model, rather than negotiate an arrangement which would see ongoing employment and new pension plans, as well as additional compensation to help ease whatever shortfall retirees and other plan members would face following the wind-up of the existing pension plans.

10. Since they were denied the ability to meet face to face with the locals to negotiate or deliver any proposals, White Birch delivered mill specific offers to each of the Soucy and PML mills by mail on December 15 and 16, 2011. No negotiations were held in advance of the delivery of those offers or after.

11. Press reports around the time of those offers suggested that the National Union recommended rejection of the offers because there was then no offer on the table for Stadacona, and thus solidarity would require the other mills to reject the offers.

12. Meetings of the unionized workers at Soucy and PML were organized by the National Union and held on December 22, 2011, to vote on the proposals provided. The proposals were almost unanimously rejected by PML and Soucy.

13. Meanwhile, White Birch was continuing its analysis of what would be required to restart the Stadacona mill. As the Monitor had stated in its report dated November 25, 2011, and as the Court acknowledged in its December 9, 2011 judgment, the temporary closure could become permanent and a decision on that issue must be made rapidly or the costs of the temporary shut down may outstrip the amount of the losses saved by the closure. During this time period, Christopher Brant of White Birch met with and had telephone calls with Mr. Sam Hamad, the Quebec Minister of Economic Development, and members of his department to discuss the matter. Mr. Brant also communicated to Mr. Hamad the kinds of financial support the Stadacona mill would require from the Quebec government and other governments, that wage and pension concessions from employees

were necessary to make the mill viable and that it did not make sense to discuss economic assistance from the government absent the acceptance of such concessions by the Union.

14. On January 6, 2012, after considerable deliberations, and bearing in mind the need for a rapid decision, White Birch made a final offer to the unionized workers of the Stadacona mill.

15. Accordingly, in fact, White Birch made separate, individual proposals to the unionized workers at each mill, in each case reflective of the economic realities at the particular mill. In other words, the offers made to each of the mills were intended to provide that particular mill with an operating cost structure that White Birch and the Purchaser believe will give it the best chance at long term viability.

16. The Stadacona offer was termed a final offer, the first time White Birch had used that phrase, both to convey the fact that it was the only basis on which the mill could become viable, and to convey the severity of the problems facing the Stadacona mill. In making the final offer, White Birch advised in its cover letter to the Union that governmental support was also a condition of the offer, and that if the offer was not accepted by January 13, 2012, the mill would be closed permanently. The final offer contemplated a termination of the existing pension plans and the establishment of a new defined contribution plan, with lower compensation for past service benefits than had been the case in the August 2, 2011 offer. However, the offer, together with financial support from the governments, reflected the only basis on which White Birch believed that the Stadacona mill could become viable for the long term given the specific issues that mill faces (age of equipment, maintenance costs, input costs, etc.)

17. The Union organized meetings of the Stadacona employees for January 11, 2012 to vote on the final offer. The National Union never contacted White Birch to determine what "final" meant or whether a counter offer would be considered. Rather, press reports mis-characterized the offer and the National Union publicly recommended that their members reject the offer. The unionized employees of Stadacona voted over 90% in favour of rejecting the offer. Together with the reporting of those voting results, the National Union announced that they would be making a counter offer, and suggested that the Abitibi model was the answer. To date, the Union has yet to make a counter-proposal (although, as will be discussed below, meetings are scheduled for next week).

18. Faced with the overwhelming rejection of the final offer by the Stadacona workers, on January 12, 2012 White Birch announced the permanent closure of the Stadacona mill. Prior to making that announcement, White Birch had consulted with the Monitor on its decision to permanently close the Stadacona mill. The Monitor approved the Company's decision.

19. After the permanent closure was announced, the National Union engaged representatives of the government. Also, much was made in the press of the closure and there was considerable mis-information about the content of the offer.

20. During the week of January 16, 2012, Christopher Brant had a number of discussions with Minister Sam Hamad, the result of which was a press release issued by Mr. Hamad's office on Wednesday, January 18, 2012, announcing that White Birch was prepared to meet with the National Union and the government to discuss a "ray of hope" for Stadacona, but recognizing that there are many issues to resolve, and also announcing that there would be meetings for the other mills at the same time.

21. The logistics of those meetings have now been set, and there are supposed to be concurrent meetings for each of the three (3) mills starting on Sunday, January 29, 2012. White Birch is hopeful that this will mean that mill management and mill union local executives will meet to discuss the specifics of their own mills, in the hope of reaching agreement.

Yours very truly,

Jean Fontaine
STIKEMAN, ELLIOTT LLP
Counsel for the Debtors

Jean Yves Simard
LAVERY, de BILLY LLP
Co-Counsel for BD White Birch Investments Inc.

L. Joseph Latham
GOODMANS LLP
Co-Counsel for BD White Birch Investments Inc.

cc: White Birch Paper Holding Company
BD White Birch Investment Inc.

March 12, 2012

Delivered

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Dear Sirs:

Re: White Birch Paper Holding Company et al
White Birch's Summary and Update on Transaction for the Sale of its Assets as at March 12, 2012
SCM: 500-11-038474-108

This letter is intended to provide you with an update on the negotiations in connection with the transaction for the sale of all or substantially all of the assets of the White Birch Paper Group ("**White Birch**" or the "**Company**") to BD White Birch Investments Inc. (the "**Purchaser**") since our letter dated February 24, 2012, which was delivered to you and to the Court.

Agreement Reached with Soucy and PML

After the hearing of February 24, 2012, representatives of White Birch, the Purchaser and the Union re-commenced meetings on February 28, 2012 in Quebec City, with the assistance of conciliators appointed by the Ministry of Labour. In the last update letter, we advised that on February 22, the Union had decided to temporarily suspend negotiations in order to have a meeting with the Régie des rentes du Québec. A meeting with the Régie was held on the afternoon of February 23, 2012, and the parties received a response from the Régie late on February 24, 2012. With the benefit of that answer, the term sheet was amended and exchanged by email over the weekend of February 25 and 26, and the meetings on February 28, 2012 concluded with an agreement on the term sheet to be used for the F.F. Soucy ("**Soucy**") mill. Accordingly, by the end of February 28, 2012, there was an agreement between the Union and the Soucy mill on the terms of a global offer of settlement for local issues and wages, and on a pension term sheet.

As noted in our last update letter, the parties had agreed that, once a pension term sheet had been agreed upon for Soucy, the same form of term sheet would be used for the Papiers Masson ("**PML**") mill, and that the form would also be used for the Stadacona mill on the understanding that there would be changes to reflect the different economics of the Stadacona mill.

Accordingly, on the morning of February 29, 2012, the PML management presented a global offer of settlement and a pension term sheet to the Union locals for the PML mill. The only changes between the Soucy and PML documents were to reflect the different pension plan solvency and liability figures for each mill, and to deal with 2 issues raised by the Union – requiring all new hires at PML to opt in to the new pension plan, and providing an adjustment for indexation for retirees. The PML documents were quickly agreed to, and by early afternoon on February 29, 2012, there was an agreement between the Union and the PML mill.

The agreements with Soucy and PML can be summarized as follows:

- The term of the new collective bargaining agreement is for 5 years from May 1, 2009 or just over 2 years from today. The parties agreed that there will be a moratorium on changes to the pension plan until the later of April 30, 2018 or the expiration of the 2014 industry "standard contract";

- A wage reduction of 10% effective at ratification with a salary increase of 1% at May 1, 2012 and 1.5% at May 1, 2013;

- Termination of the existing pension plans, with retirees receiving their entitlements on the existing plan's wind up and active employees having the option to either transfer their wind-up assets from the old pension plan into the applicable new pension plan or to receive their entitlements on the existing plan's wind up;

- Creation of a new, target defined benefit pension plan, which would provide for the following:

    - Fixed future service contributions of 8% of earnings by the employees and 10% of earnings by the employer;

    - compensation for past service benefits of approximately \$50.3 million for Soucy and \$51.6 million for PML. For eligible active employees who transfer their assets to the applicable new plan, these past service benefits would include an age 60 retirement age for receiving an unreduced life pension and a life pension determined using a credit of 1.65% of the employees final average earnings. For eligible retirees, they would receive the difference between (a) 90% of the pension that they were entitled to pursuant to the provisions of the applicable old pension plan and (b) the pension they actually receive following the termination of the old pension plan.

Stadacona Update

On January 6, 2012, a "final" offer was made to the unionized employees of the Stadacona mill which was dependent on significant government assistance from the Government of Quebec and the City of Quebec. This offer would have bridged some portion of the $65 per ton cost disadvantage discussed in the Monitor's November 25, 2011 Report. This proposal was designed to allow the mill to regain a competitive cost structure and, subject to obtaining sufficient economic support from governments, provided a basis to re-open the mill. It was after the rejection of that offer that the mill closure became permanent. On January 29, 2012, the Company agreed to commence negotiations with the CEP again in good faith to try to find a way to re-open the mill.

After the meetings started in Quebec City on January 29, 2012, representatives of the Company held meetings with both the Government of Quebec and the City of Quebec to explore the kinds of financial assistance that could be offered to supplement the cost savings that the employees were being asked to provide. A representative of the Union was present either in person or by telephone for each such meeting. Although some level of near-term cost savings have been offered, the most significant assistance offered by the Government of Quebec has been in the form of loans for long-term projects which would improve the mill's long-term competitive position. However, these long-term projects do not provide immediate cost savings, require an investment of capital by Stadacona that it does not have and will not show an economic benefit for a number of years.

The Company's final offer was amended and tabled on February 9, 2012, by adding to the contributions to be made to the new pension plan a portion of cost savings achieved through government assistance. After agreements were reached with the Union on Soucy and PML, on February 29, 2012, based on the Union's request, the Company's offer was amended to conform to the format previously used in the term sheet agreed to with the Union for the Soucy and PML mills. As a result, the new pension plan was converted from a defined contribution plan to a target defined benefit plan. The new employer's annual contributions to the pension plan under this proposal were substantially unchanged from the Company's prior proposal. On March 1, 2012, the Union made a proposal that would require the new employer to assume approximately $120 million more in pension liability than the Company's proposal of February 29. The Union's proposal would result in the Stadacona mill having a cost structure that is not competitive and operations that are not economically viable. On March 2, 2012, the Company again tabled its February 29 proposal. Given the magnitude of the differences between the 2 proposals, the chief conciliator, Daniel Cholette, then directed that the parties take a break from negotiations.

On March 8, 2012, given the dire financial situation facing the mill, the instructions of Justice Mongeon, and the period of time that the mill had been down, the Company had no alternative but to table a final offer, asking for the Union to provide its response by March 14, 2012. This final offer was revised in response to certain of the concerns raised by the Union in the negotiations. The final offer can be summarized as follows:

- The term of the new collective bargaining agreement is for nine (9) years from May 1, 2009, or just over 6 years from today;
- A wage reduction of 10% effective at ratification, and to remain static for the duration of the contract;
- Termination of the existing pension plan, with both active employees and retirees receiving their entitlements on the existing plan's wind up;
- Creation of a new, target defined benefit pension plan, which would provide for the following:
    - Fixed current service contributions of 8% of earnings by the employees and 10% of earnings by the employer;
    - Additional future service contributions by the employer based on a percentage of direct cost savings achieved through government assistance programs and not requiring additional capital investment by Stadacona;
    - compensation for past service benefits within a liability budget of $35.0 million; and
    - Additional payments to retirees, outside of the new pension plan, based on a sharing of the direct cost savings received from government assistance programs.

This final proposal represents an improvement over the Company's prior proposal as:

- The employer's contributions for future service were increased from 7% to 10%; and
- The new employer is assuming $35.0 million of liability for past service benefits, representing an increase of $15.8 million over the Company's prior proposal.

Pursuant to this proposal, on an aggregate basis, the Stadacona mill pension plan participants will receive a value estimated to be equal to approximately 70% of their vested benefits calculated as of the wind up of the old pension plan. If this offer is accepted, then the Company and the Union will proceed jointly to work with both the Government of Quebec and the City of Quebec to try to achieve the requisite immediate cost savings to permit the Stadacona mill to re-open.

In summary, there has been significant progress in the negotiations since January 29, 2012, and agreements have been reached with Soucy and PML on all issues. We remain hopeful of an agreement for Stadacona, but recognize the very different, and difficult, economic situation facing that mill, and that it may never re-open. However, we are prepared to proceed even if the Stadacona mill does not re-open.

Yours very truly,

Jean Fontaine
STIKEMAN, ELLIOTT LLP
Counsel for the Debtors

L. Joseph Latham
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Co-Counsel for BD White Birch Investments Inc.

cc: J.Y. Simard, *Lavery, de Billy LLP*

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Appendix B – Status report from SCEP on the progress of the negotiations for a new collective bargaining agreement

TRUDEL NADEAU AVOCATS S.E.N.C.R.L.

† Me Louis-Claude Trudel (1952-2008)

Montréal, le 14 mars 2012

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Objet : Dans l'affaire du plan d'arrangement de White Birch Paper Holding Company et als
No : 500-11-038474-108
Notre dossier : YSA-37579

Cher confrère,

La présente répond à votre correspondance du 2 mars dernier et vise à vous faire rapport de la situation concernant les négociations entre le Syndicat et BDWBI.

- **F.F. Soucy et Papiers Masson**

Une entente, sujette à ratification par les travailleurs, est intervenue entre le Syndicat et BDWBI concernant les usines F.F. Soucy et Papiers Masson.

- **Stadacona**

Il n'y a pas d'entente concernant Stadacona.

Le 2 mars dernier, les négociations ont été suspendues à la demande du conciliateur en chef du ministère du Travail. Cette suspension a été motivée par l'écart significatif entre les propositions de l'une et l'autre des parties, l'absence d'information tant sur les conditions de réouverture de l'usine qu'en regard du régime de retraite lié à l'aide financière, devant être jugée satisfaisante par l'employeur, provenant de la Ville de Québec et du gouvernement du Québec.

Le 8 mars 2012, vers 21 heures par courriel, une offre finale pour l'usine de Stadacona est expédiée par l'employeur au Syndicat. Cette offre finale exige des travailleurs et retraités de Stadacona des concessions largement supérieures à celles demandées pour les usines de Soucy et Papiers Masson. L'employeur requiert une réponse pour le 14 mars 2012.

Cette offre finale est conditionnelle à ce que l'employeur reçoive une aide financière jugée satisfaisante du gouvernement du Québec et de la Ville de Québec.

À plusieurs reprises depuis la réception de cette offre finale, le Syndicat a demandé à BDWBI, via le conciliateur assigné à ce dossier, des précisions sur cette offre finale. Ces demandes sont restées sans réponse de la part de l'employeur. Le Syndicat insiste pour recevoir les précisions demandées avant de procéder à un vote sur l'offre finale à Stadacona.

Hier, le 13 mars 2012, la Ville de Québec a annoncé qu'elle refusait de fournir une aide financière à BDWBI. En sus des questions du Syndicat toujours sans réponse par l'employeur, nous ignorons si l'offre finale de BDWBI demeure conditionnelle à une aide financière de la Ville de Québec. Il en est de même de la contribution exigée par BDWBI du gouvernement du Québec. Il importe que cette incertitude soit levée. L'offre finale actuelle maintient ces obligations d'aide financière satisfaisante pour la réouverture de l'usine et pour le régime de retraite.

En sus des précisions demandées, le Syndicat recherche à connaître de BDWBI si les conditions imposées relatives à l'aide financière sont levées, à déterminer la date de réouverture de Stadacona, la séquence de rappel au travail ainsi que le nombre de travailleurs qui seront rappelés. Or, ces questions sont aussi sans réponse de la part de BDWBI.

Dans l'éventualité où l'employeur fournit une réponse au Syndicat au plus tard le 16 mars prochain, ce dernier est disposé à tenir des assemblées des travailleurs qu'il représente selon l'échéancier suivant :

- Papiers Masson : mardi le 20 mars 2012
- F.F. Soucy : vendredi le 23 mars 2012
- Stadacona : samedi le 24 mars 2012

Advenant qu'un délai additionnel soit requis à l'employeur pour lui permettre de fournir les précisions demandées, le Syndicat pourrait tenir ultimement des assemblées selon l'échéancier suivant :

- Papiers Masson : lundi le 26 mars 2012
- Stadacona : mardi le 27 mars 2012
- F.F. Soucy : jeudi le 29 mars 2012

Le soussigné est retenu en audition devant une autre instance le 16 mars prochain. Dans l'éventualité où la Cour siège à cette date, nous vous prions de noter que le Syndicat sera représenté par Me Louise-Hélène Guimond (lhguimond@trudelnadeau.com) de notre cabinet.

Veuillez recevoir, cher confrère, l'expression de nos salutations distinguées.

TRUDEL NADEAU AVOCATS SENCRL

YVES SAINT-ANDRÉ
YSTA/mr

cc. M. Renaud Gagné, SCEP-Québec
Me Louise-Hélène Guimond

Appendix C – Letter from the attorneys representing the non-unionized employees' pension plans

Tina Hobday
Direct line: 514 282-7816
E-Mail : tina.hobday@lkd.ca

BY EMAIL

Montreal, March 13, 2012

Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7
Attorney for:
BD White Birch Investment LLC

Me Jean-Yves Simard
Lavery, De Billy S.E.N.C.R.L.
1 Place Ville Marie
40th Floor
Montreal, Quebec H3B 4M4
Attorney for:
BD White Birch Investment LLC

Mr. Jean C. Fontaine
Mr. Matthew Liben
Stikeman Elliott
1155 René-Lévesque Blvd. West
Suite 4000
Montreal, Quebec H3B 3V2
Attorneys for:
White Birch Paper Holding Company

Mr. Sylvain Rigaud
Norton Rose Canada
1 Place Ville Marie
Suite 2500
Montreal, Quebec H3B 1R1
Attorney for:
Ernst & Young LLP (the Monitor)

Subject: In the Matter of the Proposed Plan of Compromise and Arrangement of White Birch Paper Holding Company and Various Subsidiaries and Affiliates
S.C.M. 500-11-038474-108
Our Files: 52696-001, 52697-001, 52698-001

Langlois Kronström Desjardins
L.L.P., BARRISTERS & SOLICITORS,

1002 Sherbrooke Street West
28th Floor
Montréal, QC
Canada H3A 3L6
Tel.: 514 842-9512
Fax: 514 845-6573

801 Grande Allée West
Suite 300
Québec City, QC
Canada G1S 1C1
Tel.: 418 650-7000
Fax: 418 650-7075

lkd.ca

Dear Colleagues:

As you are aware, we represent the Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy, the Comité de retraite du Régime de retraite des employés non syndiqués de PML, and the Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona ("**Pension Committees for the Non-Union Pension Plans**") in the above-mentioned matter.

Since the outset of our involvement in this matter in June 2010, both the undersigned attorney as well as our clients have been periodically told and/or lead to believe that the status of the Non-Union Pension Plans would be addressed once the future of the union plans was resolved.

Our clients have also sent various letters to BD White Birch Investments in October 2010, April 2011 and November 2011 requesting that the Non-Union Pension Plans be maintained and requesting a response (see attached). No response has been provided to any of those letters. The undersigned therefore also wrote to the Régie des rentes in November 2011 (see attached) in order to request that our clients would be informed of developments and any discussions with the Régie des rentes. Other than a letter acknowledging receipt, no information has been received from the Régie des rentes either.

We understand that the deadline to complete the sale process has now been set for March 30, 2012. Despite the fact that this matter has been protracted for over two (2) years, we are still unaware of Black Diamond's position as to whether or not it intends to maintain the Non-Union Pension Plans.

We note that under the Asset Sale Agreement, Black Diamond must inform WB Group of its decision as to whether or not to maintain the Non-Union Pension Plans no less than five (5) days before the closing of the transaction. Given the brevity of that notice period, we repeat that we recommend that the Non-Union Pension Plans be maintained by Black Diamond in their current forms, which includes that the Non-Union Pension Plans' deficits be assumed by it going forward.

We therefore request a response at your earliest convenience, providing further information regarding the situation, and we remain available for a meeting in that regard.

In addition, based on the information provided to the Court on and around February 24, 2012, we understand that the negotiations regarding the union pension plans are nearing an end. However, none of that information, be it oral representations or written documents, appears to indicate that the Non-Union Pension Plans are on anyone's radar screen. The undersigned attorney did raise this issue with you immediately after the hearing on February 24, 2012.

In light of the above, we would appreciate if you could include the Non-Union Pension Plans in the "plan d'action" that you are preparing at the Court's request and that I understand you will be sending out to all parties by March 15, 2012, so as to avoid having me raise this issue with Justice Mongeon on March 16, 2012.

Should you wish to discuss this matter further, please do not hesitate to contact the undersigned.

We thank you in advance for your cooperation in this regard.

Yours truly,

LANGLOIS KRONSTRÖM DESJARDINS, L.L.P.

Tina Hobday

Encl. Letters to BD White Birch Investment LLC dated October 28, 2010, April 26, 2011 and November 2, 2011.
Letter to the Régie des rentes dated November 3, 2011

cc. M. Sylvain Proulx (Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy)
M. Hervé Morissette (Comité de retraite du Régime de retraite des employés non syndiqués de PML)
M. René Savard (Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona)

October 28, 2010

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")
Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy

---

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of F.F. Soucy).

Following the Quebec Court of Appeal's dismissal of the motion for leave to appeal brought by Bluemountain Long/Short Credit Master Fund L.P. et al. (and by the intervenor/impleaded party Sixth Ave. Investment Co., LLC), BD White Birch Investment LLC ("Black Diamond") is now the "winning bidder" pursuant to the ASA, and we understand that completion of the sale should occur by November 19, 2010.

We note that under the ASA, Black Diamond must inform WB Group of its decision as to whether or not to maintain the pension plans no less than five days before the closing of the transaction. Given the brevity of that notice period, the committee has seen fit to contact you beforehand.

On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

Mr. Michel Beaumont
On behalf of the Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy

c.c. Members of the Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

October 28, 2010

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")
Comité de retraite du Régime de retraite des employés non syndiqués de PML

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime de retraite des employés non syndiqués de PML* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of PML).

Following the Quebec Court of Appeal's dismissal of the motion for leave to appeal brought by Bluemountain Long/Short Credit Master Fund L.P. et al. (and by the intervenor/impleaded party Sixth Ave. Investment Co., LLC), BD White Birch Investment LLC ("Black Diamond") is now the "winning bidder" pursuant to the ASA, and we understand that completion of the sale should occur by November 19, 2010.

We note that under the ASA, Black Diamond must inform WB Group of its decision as to whether or not to maintain the pension plans no less than five days before the closing of the transaction. Given the brevity of that notice period, the committee has seen fit to contact you beforehand.

On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

Mr. Hervé Morissette
On behalf of the Comité de retraite du Régime de retraite des employés non syndiqués de PML

c.c. Members of the Comité de retraite du Régime de retraite des employés non syndiqués de PML
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

October 28, 2010

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")
Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona

---

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of Stadacona).

Following the Quebec Court of Appeal's dismissal of the motion for leave to appeal brought by Bluemountain Long/Short Credit Master Fund L.P. et al. (and by the intervenor/impleaded party Sixth Ave. Investment Co., LLC), BD White Birch Investment LLC ("Black Diamond") is now the "winning bidder" pursuant to the ASA, and we understand that completion of the sale should occur by November 19, 2010.

We note that under the ASA, Black Diamond must inform WB Group of its decision as to whether or not to maintain the pension plans no less than five days before the closing of the transaction. Given the brevity of that notice period, the committee has seen fit to contact you beforehand.

On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

Mr. Yvon Lesage
On behalf of the Comité de retraite du Régime de retraite
des employés non syndiqués de Stadacona

c.c. Members of the Comité de retraite du Régime de retraite
des employés non syndiqués de Stadacona
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

April 26, 2011

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")
Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy

---

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of F.F. Soucy).

Further to our letter dated October 28, 2010 and our counsel's telephone discussions with you, we understand the sale process should be completed by May 13, 2011, as stated in the Monitor's Report dated February 18, 2011.

We note again that under the ASA, Black Diamond must inform WB Group of its decision as to whether or not to maintain the pension plans no less than five days before the closing of the transaction. Given the brevity of that notice period, the committee has again seen fit to contact you beforehand.

On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience, and in any event on or before April 29, 2011, providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

Mr. Sylvain Proulx
On behalf of the Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy

c.c. Members of the Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

April 26, 2011

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: **White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")**
Comité de retraite du Régime de retraite des employés non syndiqués de PML

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime de retraite des employés non syndiqués de PML* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of PML).

Further to our letter dated October 28, 2010 and our counsel's telephone discussions with you, we understand the sale process should be completed by May 13, 2011, as stated in the Monitor's Report dated February 18, 2011.

We again note that under the ASA, Black Diamond must inform WB Group of its decision as to whether or not to maintain the pension plans no less than five days before the closing of the transaction. Given the brevity of that notice period, the committee has again seen fit to contact you beforehand.

On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience, and in any event on or before April 29, 2011, providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

Mr. Hervé Morissette
On behalf of the Comité de retraite du Régime de retraite des employés non syndiqués de PML

c.c. Members of the Comité de retraite du Régime de retraite des employés non syndiqués de PML
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

Papiers White Birch[MC]
DIVISION STADACONA S.E.C.

April 26, 2011

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")
Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of Stadacona).

Further to our letter dated October 28, 2010 and our counsel's telephone discussions with you, we understand the sale process should be completed by May 13, 2011, as stated in the Monitor's Report dated February 18, 2011.

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On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience, and in any event on or before April 29, 2011, providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

Mr. Yvon Lesage
On behalf of the Comité de retraite du Régime de retraite
des employés non syndiqués de Stadacona

c.c. Members of the Comité de retraite du Régime de retraite
des employés non syndiqués de Stadacona
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

10, boulevard des Capucins, C.P. 1487
Québec (Québec) G1K 7H9

November 2, 2011

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")
Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy

---

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of F.F. Soucy).

Further to our letters dated October 28, 2010 and April 26, 2011, as well as our counsel's numerous telephone discussions with you, we understand that the deadline to complete the sale process has been set for November 18, 2011, as stated in the Monitor's Report dated September 27, 2011. Despite the fact that this matter has been protracted for many months, we are still unaware of Black Diamond's position as to whether or not it intends to maintain the pension plans.

We note again that under the ASA, Black Diamond must inform WB Group of its decision as to whether or not to maintain the pension plans no less than five days before the closing of the transaction. Given the brevity of that notice period, the committee has again seen fit to contact you beforehand.

On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience, and in any event on or before November 7, 2011, providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

Mr. Sylvain Proulx
On behalf of the Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy

c.c. Members of the Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

November 2, 2011

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")
Comité de retraite du Régime de retraite des employés non syndiqués de PML

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime de retraite des employés non syndiqués de PML* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of PML).

Further to our letters dated October 28, 2010 and April 26, 2011, as well as our counsel's numerous telephone discussions with you, we understand that the deadline to complete the sale process has been set for November 18, 2011, as stated in the Monitor's Report dated September 27, 2011. Despite the fact that this matter has been protracted for many months, we are still unaware of Black Diamond's position as to whether or not it intends to maintain the pension plans.

We again note that under the ASA, Black Diamond must inform WB Group of its decision as to whether or not to maintain the pension plans no less than five days before the closing of the transaction. Given the brevity of that notice period, the committee has again seen fit to contact you beforehand.

On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience, and in any event on or before November 7, 2011, providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

Mr. Hervé Morissette
On behalf of the Comité de retraite du Régime de retraite des employés non syndiqués de PML

c.c. Members of the Comité de retraite du Régime de retraite des employés non syndiqués de PML
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

November 7, 2011

VIA FACSIMILE AND E-MAIL

BD White Birch Investment LLC
c/o Mr. L. Joseph Latham
Goodmans LLP
Bay Adelaide Centre
333 Bay Street
Toronto, Ontario M5H 2S7

BD White Birch Investment LLC
c/o Mr. Jean-Yves Simard
Lavery, De Billy LLP
1 Place Ville Marie
40th floor,
Montreal, Quebec H3B 4M4

Re: **White Birch Paper Company and other entities indentified as sellers ("WB Group") – Asset Sale Agreement as amended ("ASA")**
Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona

---

Dear Sir / Madam:

I am writing to you on behalf of the *Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona* (i.e. the Pension Committee of the Pension Plan for Non-unionized Employees of Stadacona).

Further to our letters dated October 28, 2010 and April 26, 2011, as well as our counsel's numerous telephone discussions with you, we understand that the deadline to complete the sale process has been set for November 18, 2011, as stated in the Monitor's Report dated September 27, 2011. Despite the fact that this matter has been protracted for many months, we are still unaware of Black Diamond's position as to whether or not it intends to maintain the pension plans.

We note again that under the ASA, Black Diamond must inform WB Group of its decision as to whether or not to maintain the pension plans no less than five days before the closing of the transaction. Given the brevity of that notice period, the committee has again seen fit to contact you beforehand.

On behalf of the members and beneficiaries directly concerned by this situation and whom we represent, we recommend, in light of the crucial importance of this matter for those individuals, that the pension plan be maintained by Black Diamond in its current form, which includes that the plan's deficit be assumed by it.

We therefore request a response at your earliest convenience, and in any event on or before November 10, 2011, providing further information regarding the situation, and we remain available at any time for a meeting in that regard.

We thank you for your kind attention to this matter, and we look forward to hearing from you.

Yours very truly,

René Savard

Mr. René Savard,
Chairman of the Comité de retraite du Régime de retraite
des employés non syndiqués de Stadacona

c.c. Members of the Comité de retraite du Régime de retraite
des employés non syndiqués de Stadacona
Mr. Gerry Apostolatos (Langlois Kronström Desjardins LLP) (by e-mail)

Tina Hobday
Ligne directe : 514 282-7816
Courriel : tina.hobday@lkd.ca

LANGLOIS KRONSTRÖM DESJARDINS

PAR TÉLÉCOPIEUR

Montréal, le 3 novembre 2011

Me Carole Arav
Directrice, Services juridiques
Régie des rentes du Québec
2600, boul. Laurier
Bureau 501
Québec (Québec) G1K 7S9

Objet : Compagnie de Papiers White Birch et ses diverses filiales et sociétés affiliées
N/🗀 : 52696-001, 52697-001 et 52698-001

Chère consoeur,

Nous sommes les procureurs du Comité de retraite du Régime de retraite des employés non syndiqués de PML, du Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy, et du Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona (« **les régimes de retraite des cadres de White Birch** ») dans le cadre de la restructuration de la Compagnie de Papiers White Birch et ses diverses filiales et sociétés affiliées en vertu de la *Loi sur les arrangements avec les créanciers des compagnies* (la « **LACC** »).

Comme vous le savez, la question des régimes de retraite et des déficits est au cœur des discussions entre les syndicats et l'acquéreur potentiel, BD White Birch Investment LLC (« **Black Diamond** »). Les clients que nous représentons ne sont pas partie de ces discussions et pourraient se voir imposer une décision de l'acquéreur à 5 jours avant la date de la conclusion de la transaction.

Nos clients ont fait diligence tout au long du processus de prendre des décisions en regard de leurs rôles et responsabilités à titre de membres des comités de retraite et ce, sous les recommandations d'experts.

Bien qu'ils aient tenté de prendre contact officiellement à deux reprises (28 octobre 2010 et 26 avril 2011) auprès de l'acquéreur afin de connaître ses intensions en ce qui concerne les différents régimes de retraite respectifs, aucune décision ou orientation n'a été communiquée en date de ce jour. Une nouvelle tentative a été faite en date de ce jour auprès de l'acquéreur considérant la date du 18 novembre 2011.

Langlois Kronström Desjardins
S.E.N.C.R.L., AVOCATS

1002, rue Sherbrooke Ouest
28e étage
Montréal (Québec)
Canada H3A 3L6
Téléphone : 514 842-9512
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801, Grande Allée Ouest
Bureau 300
Québec (Québec)
Canada G1S 1C1
Téléphone : 418 650-7000
Télécopieur : 418 650-7075

Vous comprendrez donc, que nos clients sont très préoccupés par la situation. En conséquence, si la Régie devait se voir contacter par ces parties pour des demandes en lien avec les régimes de retraite de White Birch qui relèvent de la juridiction de la Régie ou de la ministre responsable de l'application de *la Loi sur les régimes complémentaires de retraite*, nous demandons d'être informés de ces communications puisque les intérêts de nos clients pourraient être mis en cause.

Nous sommes à votre disposition pour toute information complémentaire et nos clients demeurent également disponibles.

Espérant le tout conforme, veuillez agréer, chère consoeur, l'expression de nos sentiments les meilleurs.

LANGLOIS KRONSTRÖM DESJARDINS, S.E.N.C.R.L.

Tina Hobday

Tina Hobday

TH/ml

c.c. Me L. Joseph Latham (BD White Birch Investment LLC)
Me Jean-Yves Simard (BD White Birch Investment LLC)
Mme Lise Thériault (Ministre du travail)
M. Hervé Morissette (Comité de retraite du Régime de retraite des employés non syndiqués de PML)
M. Sylvain Proulx (Comité de retraite du Régime complémentaire de retraite du personnel non syndiqué de F.F. Soucy)
M. René Savard (Comité de retraite du Régime de retraite des employés non syndiqués de Stadacona)

Appendix D – Letter from the Comité de Relance de Stadacona

NORTON ROSE

Avocats et agents de brevets et de marques de commerce

Norton Rose Canada S.E.N.C.R.L., s.r.l.
1, Place Ville Marie, bureau 2500
Montréal (Québec) H3B 1R1 CANADA

F: +1 514.286.5474
nortonrose.com

Le 1er janvier 2012, Macleod Dixon s'est joint à
Norton Rose OR pour créer Norton Rose Canada.

Le 1er mars 2012

Expédié par courriel

Me Dominique Bigras
Joli-Coeur Lacasse S.E.N.C.R.L
Bureau 600
1134, Grande Allée Ouest
Québec (Québec) G1S 1E5

Votre référence

Notre référence
01014931-0010

Ligne directe
514.847.4702

Courriel
sylvain.rigaud@nortonrose.com

Dans l'affaire du plan d'arrangement de:
Compagnie de papiers White Birch et al. (les « Débitrices »)
C.S.M. : 500-11-038474-108

Chère Me Bigras,

Nous accusons réception de vos lettres en date des 23 et 29 février 2012 concernant la lettre d'intention du Comité de relance de la Stadacona (le « **Comité** »). À cet égard, veuillez noter que le tribunal, chargé de la restructuration des Débitrices a déjà approuvé, par le biais d'ordonnances rendues en date des 29 avril, 10 septembre et 28 septembre 2010, non seulement un processus de mise en vente des actifs, mais également une transaction de vente en faveur de BD White Birch Investment LLC. Les parties demeurent engagées à finaliser cette transaction et continuent d'investir des ressources importantes pour ce faire.

Dans la mesure où les parties n'arrivent pas, à brève échéance, à conclure cette transaction, les Débitrices, de concert avec Ernst & Young Inc., en sa qualité de contrôleur, pourraient décider de proposer un nouveau processus de vente qui sera ouvert et équitable, et dont les règles seront approuvées par le tribunal. La participation du Comité, à tout nouveau processus de vente, sera évidemment la bienvenue.

N'hésitez pas à communiquer avec le soussigné si vous désirez discuter plus amplement de ce qui précède.

Veuillez agréer, cher confrère, l'expression de nos sentiments les meilleurs.

Sylvain Rigaud

SAR/jrl

c.c. Me Jean Fontaine

jolicœur lacasse
AVOCATS

PAR COURRIEL ET TÉLÉCOPIEUR

Québec, le 23 février 2012

M^{e} Jean Fontaine (jfontaine@stikeman.com)
Stikeman Elliot
1155, boulevard René-Lévesque Ouest, bureau 4000
Montréal (Québec) H3B 3V2

Monsieur Christopher M. Brant, président (a/s M^{e} Jean Fontaine)
Papier White Birch inc.
10, des Capucin, boîte postal 1487
Québec (Québec) G1K 7H9

M^{e} Sylvain Rigaud (sylvain.rigaud@nortonrose.com)
Norton Rose Canada
1, Place Ville Marie, bureau 2500
Montréal (Québec) H3B 1R1

Monsieur Martin Rosenthal (martin.rosenthal@ca.ey.com)
ès qualités de contrôleur de Papiers White Birch inc. et als.
Ernst & Young
800, boulevard René-Lévesque Ouest, bureau 1900
Montréal (Québec) H3B 1X9

Objet : Lettre d'intention relative à l'achat d'actifs de la division Stadacona et de Scierie Leduc
N/Réf. : 26005-1

Messieurs,
Chers confrères

Suivant la lettre de ma collègue de Me Marie-Élaine Racine, nous vous confirmons avoir constitué Le Comité de relance de la Stadacona (le « Comité ») lequel a pour objet de regrouper les travailleurs de l'usine de Québec en vue de sa relance. En effet, le Comité désire voir l'usine de Québec opérer de nouveau. Aussi, nous vous informons de l'intérêt du Comité à acquérir, par le biais d'une société par actions et d'une coopérative de travailleurs actionnaire à être constituées le cas échéant, les actifs de l'usine de Québec du 10, des Capucins, Québec et ceux de Scierie Leduc du 1200, rue Lapierre, Québec.

1. Actifs visés

Le Comité entend vous présenter une offre d'acquérir les actifs servant à l'exploitation de l'usine de Québec et de Scierie Leduc dont les stocks, les contrats, les équipements, les équipements informatiques, les immeubles incluant les terrains, la propriété intellectuelle et l'achalandage incluant les noms « Stadacona » et « Scierie Leduc », le tout, sous réserve des termes et conditions énoncés à la présente (les « Actifs visés »).

Les actifs suivants seraient exclus de la transaction, à savoir : les comptes à recevoir et les encaisses des entreprises. De plus, l'acquéreur n'entrevoit pas assumer les passifs liés aux opérations d'entreprises. Quant au fonds de retraite, le Comité bien que désireux de satisfaire les parties en présence, n'a pas complété le montage financier de la transaction et ne peut donc pas se prononcer sur ce sujet.

2. Conditions nécessaires à la réalisation d'une transaction

La transaction est conditionnelle à la réalisation, à l'entière satisfaction du Comité, de tous les événements et de toutes les conditions préalables ou suspensives suivantes :

1. L'obtention par l'acquéreur de toutes les données financières de l'usine de Québec et de Scierie Leduc, incluant notamment les états financiers, les coûts de production et tout autre document financier usuel pour ce genre de transaction ;
2. Le consentement des travailleurs pour la création d'une coopérative de travailleurs actionnaire ;
3. L'obtention par l'acquéreur du financement nécessaire à l'acquisition des actifs visés et du fonds de roulement ;
4. L'obtention par l'acquéreur de toutes les approbations requises par les différentes instances et autorités ayant juridiction en semblable matière ;
5. Une vérification diligente des Actifs visés à l'entière satisfaction de l'acquéreur ;
6. L'obtention par l'acquéreur, de la part des vendeurs, des déclarations, représentations et garanties usuelles pour ce genre de transaction ;
7. La négociation à la satisfaction de l'acquéreur d'un contrat d'achat-vente d'actifs ;
8. L'obtention par les vendeurs, en faveur de l'acquéreur, d'une ordonnance de la Cour Supérieure du Québec, sous l'égide de la *Loi sur les arrangements avec les créanciers des compagnies*, autorisant la vente des Actifs visés libres de tous droits, liens et charges quelconques (« vesting order »).

Compte tenu que nous venons de recevoir le rapport du contrôleur qui sera présenté à la Cour le 24 février, nous comprenons que ce dernier informera la Cour de la réception de cette lettre d'intention.

Nous vous prions d'agréer, Messieurs et Chers confrères, l'expression de nos sentiments les meilleurs.

Joli-Coeur Lacasse S.E.N.C.R.L.

Dominique Bigras, avocate
dominique.bigras@jolicoeurlacasse.com

DB/ms

Appendix E – Internal financial statements for the year ended December 31, 2011

WHITE BIRCH PAPER COMPANY
CONSOLIDATED
FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2011

(IN UNITED STATES DOLLARS)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

BALANCE SHEET
(IN U.S.$)
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS :		
Cash		$ 47,463,585
Cash Collateral		3,269,584
Accounts Receivable - Trade		84,771,489
Accounts Receivable - Miscellaneous		21,491,011
Inventory:		
Raw Materials & Stores	$ 66,836,534	
Finished	22,237,162	89,073,696
Prepaid Expenses		12,956,854
Timberdeeds		0
R&D Credit Receivable		294,990
Due from Affiliates		588,379
Total Current Assets		259,909,588
PROPERTY, PLANT AND EQUIPMENT AT COST	$ 1,192,025,997	
Less - Accumulated Depreciation	(766,900,035)	425,125,962
OTHER LONG TERM ASSETS		398,545
LONG TERM INVESTMENT		553,106
INVESTMENT IN SP NEWSPRINT		24,607,107
DEFERRED FINANCING COSTS		0
Total Assets		$ 710,594,308

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities		$ 21,879,753
Pre-Petition Account Payable		52,845,996
Current Portion Long-Term Debt		0
Accrued Service Charges		596,914
Income Taxes Payable		27,502,959
Derivative Contracts		51,807,858
DIP Loan		87,955,000
First Lien Term Loan	$ 428,293,961	
Second Lien Term Loan	100,000,000	528,293,961
Accrued Interest		28,519,832
Total Current Liabilities		799,402,273
NON-CURRENT PENSION AND POSTRETIREMENT		88,052,677
DEFERRED PENSION COSTS		85,365,050
Total Liabilities		972,820,000
STOCKHOLDERS' EQUITY		
Contributed Capital		129,642,930
Retained Earnings		(345,209,854)
Accumulated Other Comprehensive Loss		(58,671,218)
Translation Adjustment		12,012,450
Total Stockholders' Equity		(262,225,692)
Total Liabilities and Stockholders' Equity		$ 710,594,308

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF INCOME
(IN U.S.$)
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

	2011 YEAR TO DATE	2010 YEAR TO DATE
SALES		
Gross	$ 823,835,150	$ 764,845,795
Freight	(94,888,943)	(87,926,231)
Net Sales	728,946,207	676,919,564
COST OF GOODS SOLD	(710,858,489)	(683,935,355)
Gross Profit	18,087,718	(7,015,791)
GENERAL AND ADMINISTRATIVE EXPENSE		
Service Fee	(24,715,048)	(22,945,463)
Other	(9,412,601)	(22,161,586)
Operating Profit (Loss)	(16,039,931)	(52,122,840)
OTHER INCOME (EXPENSE)		
Interest Expense	(14,590,444)	(25,536,964)
Gain (Loss) on Currency Translation	(11,313,647)	21,916,365
Deferred Financing	0	0
Interest Income	131,169	75,586
Other Income (Expense)	(777,113)	(690,880)
Net Income (Loss) from Operations	(42,589,966)	(56,358,733)
TAX PROVISION	(3,161,804)	541,450
Net Income (Loss)	(45,751,770)	(55,817,283)
RETAINED EARNING BEGINNING OF PERIOD	(299,458,084)	(243,640,801)
PRIOR PERIOD ADJUSTMENT	- 0 -	- 0 -
DISTRIBUTION DURING THE PERIOD	- 0 -	- 0 -
RETAINED EARNING END OF PERIOD	$ (345,209,854)	$ (299,458,084)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF CASH FLOWS

(IN U.S.$)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

		2011	2010
CASH PROVIDED BY (USED FOR):			
OPERATIONS			
Net Income (Loss)		$ (45,751,770)	$ (55,817,283)
Translation Adjustment		5,282,754	(9,716,842)
Accumulated Other Comprehensive Loss		0	0
Items not affecting cash			
Effect of exchange rate fluctuations on cash		7,014,715	(19,249,113)
Depreciation		57,256,193	57,907,409
Gain on sale of Property, Plant and Equipment		0	0
Amortization of Deferred Costs		1,361,802	5,741,276
Derivative Contracts		0	0
Deferred Income Taxes		0	0
Deferred Pension Costs		11,249,139	2,390,929
Non-current Pension and Postretirement		(1,799,918)	4,289,356
Other Long Term Assets		(1,832)	(54,374)
ITC & R&D Credit Receivable		0	0
Goodwill		0	0
Property, Plant and Equipment (ITC & Capital Tax)		0	0
Long Term Investment		11,307	(26,944)
Provided from operations		34,622,390	(14,535,586)
WORKING CAPITAL			
Accounts Receivable Trade	$ 6,263,222		
Accounts Receivable Miscellaneous	(7,792,700)		
Inventory	(12,041,264)		
Prepaid Expenses	2,971,021		
Timberdeeds	52,894		
Due from Affiliates	(130,608)		
R&D Credit Receivable	6,030		
Deferred Costs	0		
Income Taxes Payable	2,376,912		
Accounts Payable and Accrued Liabilities	(13,176,643)		
Accrued Service Charges	(149,609)		
Due to Affiliates	0		
Accrued Interest	(1,127,678)		
Cash provided by (used for) noncash working capital		(22,748,423)	(6,995,360)
		11,873,967	(21,530,946)
FINANCING			
Increase in Long-Term Debt		0	125,955,000
Decrease in Long-Term Debt		(33,864,555)	(46,860,869)
		(21,990,588)	57,563,185
INVESTMENT			
Disposal of Property, Plant and Equipment		363,509	503,598
Additions to Property, Plant and Equipment		(11,945,676)	(5,907,471)
		(33,572,755)	52,159,312
DISTRIBUTION TO BRANT PAPER COMPANY		0	0
INCREASE (DECREASE) IN CASH DURING THE PERIOD		(33,572,755)	52,159,312
CASH BEGINNING OF PERIOD		84,305,924	32,146,612
CASH END OF PERIOD		$ 50,733,169	$ 84,305,924

Appendix F – Breakdown of balance sheet by entity, as at December 31, 2011

WHITE BIRCH PAPER COMPANY
CONSOLIDATED BALANCE SHEET (US$)
31-Dec-11

	WHITE BIRCH	STADACONA	SOUCY	PAPIER MASSON	BEAR ISLAND	ELIMINATION ENTRY	TOTAL CONSOLIDATED
Cash	3,110,624	7,988,900	934,255	15,180,102	20,249,703		47,463,585
Cash Collateral	3,269,584	0	0	0	0		3,269,584
Accounts receivable - trade	45,392,172	31,439,943	26,802,993	14,053,972	12,458,017	(45,375,608)	84,771,489
Accounts receivable - other	0	8,679,882	8,961,418	3,300,215	549,496	0	21,491,011
Inventory:	0	38,814,944	20,835,635	13,705,347	15,717,769		89,073,696
Prepaid expenses	0	3,560,929	3,826,194	3,568,700	2,001,032		12,956,854
R&D Credit receivable	294,990	0	0	0	0		294,990
Due From affiliates	216,608,938	1,994,508	26,479,853	1,234,940	772,557	(246,502,417)	588,379
Total current assets	268,676,308	92,479,106	87,840,348	51,043,276	51,748,574	(291,878,025)	259,909,588
							0
Property & Equipment	0	316,838,790	380,439,144	237,286,034	257,462,029		1,192,025,997
Acc. Depreciation	0	(137,617,078)	(304,081,524)	(160,046,037)	(165,155,396)		(766,900,035)
Total PP&E	0	179,221,712	76,357,620	77,239,997	92,306,633	0	425,125,962
Investments in SP Newsprint	24,607,107	0	0	0	0		24,607,107
Others	397,707,881	0	134,830,159	0	0	(532,538,040)	0
Total investments in affiliates	422,314,988	0	134,830,159	0	0	(532,538,040)	24,607,107
Other long term assets	0	398,545					398,545
Long Term Investment	0	553,106					553,106
TOTAL ASSETS	690,991,296	272,652,470	299,028,127	128,283,273	144,055,207	(824,416,065)	710,594,308
Accounts Payable and accruals	0	7,393,009	3,305,047	3,824,647	7,341,894	15,157	21,879,753
Pre-Petition Accounts Pay	0	23,237,285	11,912,685	9,529,331	8,166,695	0	52,845,996
Accrued service charges	0	302,999	147,801	61,184	84,930		596,914
Income taxes payable	25,122,008	0	0	2,380,951	0		27,502,959
Derivative contracts	51,807,858						51,807,858
Dip Loan	86,955,000	0	1,000,000				87,955,000
First Lien Term Loan	428,293,961						428,293,961
Second Lien Term Loan	100,000,000						100,000,000
Accrued interest	28,513,579	0	27,758,098			(27,751,845)	28,519,832
Due to affiliates	48,286,083	9,153,180	195,881,275		135,879,865	(389,200,403)	0
Total current liabilities	768,978,489	40,086,472	240,004,906	15,796,113	151,473,384	(416,937,091)	799,402,274
Pension costs and postretirement benefits	0	103,918,942	36,948,006	32,550,780			173,417,727
TOTAL LIABILITES	768,978,489	144,005,414	276,952,912	48,346,892	151,473,384	(416,937,091)	972,820,001
Estimated equity (deficiency)	(77,987,193)	128,647,056	22,075,215	79,936,380	(7,418,177)	(407,478,974)	(262,225,693)
TOTAL LIABILITIES AND EQUITIES	690,991,296	272,652,470	299,028,127	128,283,273	144,055,207	(824,416,065)	710,594,308