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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 ESTATE WBPC COMPANY (FORMERLY KNOWN AS WHITE BIRCH PAPER COMPANY) AND VARIOUS SUBSIDIARIES AND AFFILIATES[2]

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

REPORT OF THE MONITOR – SEPTEMBER 25, 2014

INTRODUCTION AND BACKGROUND

As discussed more fully below, most issues with respect to the on-going restructuring of the Debtors have been held in abeyance following the hearing on various motions, on May 1, 5 and 6, 2014, which motions remain under advisement.

As a result, the Monitor proposes to limit its report herein to providing an update of the matters discussed in its previous full report, dated May 23, 2014, which was itself an update of the report dated March 26, 2014. The comments herein should be read in the context of the Monitor's report dated March 26, 2014, and are subject to the same terms of reference and disclaimer, as outlined in paragraphs 7 and 8 of the said report.

STATUS OF PROCEEDINGS

1. 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 July 21, 2014 and grants an extension until September 30, 2014.

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

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

Timminco issue

2. A hearing was held on May 1, 5 and 6, 2014, to consider the motion filed by BDWBI, requesting essentially that the Court confirm that the decision made in the Timminco file[3] does not apply to the proceedings in respect of WB Canada, together with the related motions, contestations, counterclaims and interventions, and the matter is now under advisement by the Court.

Closing of the transaction with BDWBI

3. The closing of the transaction with BDWBI occurred on September 13, 2012. In the context of this transaction, BDWBI designated some of its affiliates to be the purchaser of the assets. Although the closing has occurred, there remain certain issues that need to be resolved between the Purchaser, the Companies and certain stakeholders, more particularly the former employees and the retired employees of the Companies, the principal one being the creation and funding of pension plans having hybrid characteristics between a defined benefit and a defined contribution plan.

4. During the May hearing referenced above, the Court also dealt with two motions by Unifor and the Regroupement seeking amongst other things the implementation of the new pension plans as contemplated by certain letters of understandings dated July 13, 2012. BDWBI has confirmed its commitment to implement promptly said pension plans when the Timminco issue is resolved satisfactorily. The Regroupement has also asked the Court to force BDWBI to confirm its commitment in favour of the Stadacona non-unionized retirees following the termination of their pension plan.

5. The Court has indicated its intention to render a single decision dealing with the Timminco issue and the various other issues raised during the May hearing.

6. The Monitor received a communication from Mr. Richard Lahaie, speaking on behalf of employees who have recently retired from the workforce or are contemplating retirement, asking the Monitor to draw the Court's attention to a problem faced by these employees or former employees. The Monitor understands that Mr. Lahaie is a representive of the union representing the employees at one of the plants.

   Mr. Lahaie indicates that due to the fact that the pension plans referred to in paragraph 3 above have not yet been put in place and funded, the employees that have retired from the work force or are contemplating retiring from the work force are faced with a situation where they cannot draw any retirement benefit, even at a reduced rate, which causes significant hardship to the affected employees. A copy of Mr. Lahaie's e-mail is attached to this report as Appendix A.

Allocation of proceeds between WB Canada and Bipco

7. There has been no progress in the discussions regarding the allocation of proceeds between WB Canada and Bipco since our last report dated May 23, 2014. The lack of progress in this respect is attributed by BDWBI to the Timminco issue, since the motion filed by BDWBI on

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[3] In the matter of the plan of compromise and arrangement of Timminco Limitée and Bécancour Silicon Inc., 500-11-043844-121 (Quebec Superior Court, Montreal district, Mongeon J., judgment issued January 24, 2014).

February 13, 2014 suggests that the Timminco issue could affect the negotiations[4]. In view of this position expressed by BDWBI, the Monitor understands that the Timminco issue needs to be resolved before the negotiations on the estate allocation issues can be completed.

Proceedings in the US to recharacterize the claim of WB Canada against Bipco

8. The hearings in the U.S. keep being postponed and the issue is left pending for the time being, as there is a possibility that this issue could become moot if a settlement is reached concerning the allocation of proceeds between the estates of Bipco and WB Canada.

Claims from the Canada Revenue Agency

9. This issue was addressed in the Monitor's report dated May 23, 2014. There has been no development regarding the above issues since our last report.

Claims Process to address potential claims against Directors and Officers

10. The D&O Claims Process was authorized by an order of the Court made on February 10, 2014.[5]

11. The Monitor received 10 claims purporting to be D&O claims, further to the notice sent to creditors and publication made in compliance with the D&O Claims Process Order. To date, all claims have been contested:

    11.1. Nine of the claims were contested by way of notices sent on April 22, 2014. No appeal was lodged of the decision of the Monitor and the Companies regarding these notices of contestation.

    11.2. One of the claims (submitted on behalf of several claimants) was contested by way of a notice sent on July 7, 2014. An appeal has been filed in respect of this notice of contestation, within the required delay. The hearing on this appeal of the decision contesting the D&O Claim was set tentatively for September 30, 2014, but the claimants will request that the hearing be postponed *sine die*. The claimants consider that the decision to be rendered by the Court in respect of the Timminco issue will be an important factor in the context of the appeal, and therefore wish to await the decision before proceeding with the appeal. A copy of the communication from the attorney representing the claimants is attached as Appendix B to this report.

CONCLUSIONS AND RECOMMENDATION

12. The Initial Order as previously extended is scheduled to expire on September 30, 2014, and the Debtors have indicated their intention to seek a further extension of the Initial Order, until November 21, 2014.

13. The estate allocation issues are not yet settled, and it appears discussions cannot continue until the Timminco issue has been clarified by the Court.

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[4] Motion of BDWBI, paragraph 37.

[5] A copy of the order made by the Court is accessible through the Monitor's website at www.ey.com/ca/WhiteBirch.

14. In the present circumstances, the Monitor believes that a further extension of the stay of proceedings would not be prejudicial to the creditors of WB Group.

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

16. Based on the foregoing, the Monitor recommends that the Court grant an extension of the stay of proceedings as requested by WB Canada.

All of which is respectfully submitted this 25th day of September 2014.

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, CPA, CA, CIRP
Senior Vice-President

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

Appendix A – Correspondence - Richard Lahaie

Jean-Daniel Breton

From:	Richard Lahaie <lahaierichard@hotmail.com>
Sent:	September-21-14 9:59 AM
To:	Martin Rosenthal; Jean-Daniel Breton
Cc:	Sylvain Rigaud; marie-andree.colgan@rrq.gouv.qc.ca
Subject:	Retraités de BDWBI

Messieurs,

Comme vous le savez déjà, les retraités de BDWBI ont vu leurs prestations de retraites réduites de 50% depuis le 1er décembre 2012. Il s'agit d'une situation des plus difficile pour ces gens qui ont donné 30, 35 et dans certains cas, 40 ans de leur vie pour cette compagnie.

Mais, il y a une autre situation encore plus grave. En effet, deux travailleurs ont pris leur retraite les 1er mai et 1er juin 2014. Ces gens ne reçoivent **aucune** prestation de retraite. J'ai discuté avec des gens qui sont au courant du dossier et j'ai porté cette situation à l'attention de Mme Marie-Andrée Colgan, chef d'équipe à la direction des régimes de retraite (RRQ) 418 657-8715 poste 3458. Mme Colgan a contacté les actuaires de AON. Ceux-ci ont demandé à leur client (BDWBI) s'il était possible de payer une prestation réduite à 50% (comme les autres retraités). Malheureusement, la réponse fut négative.

Par la présente, je vous demande de bien vouloir porter cette situation à l'attention de l'Honorable Juge Robert Mongeon.

Je demeure à votre entière disposition pour répondre à d'éventuelles questions et serai présent à l'audition du 30 septembre 2014.

Bien à vous

Richard Lahaie
Président de la section locale 11
Unifor
819 775-6143

Appendix B – Correspondence - Regroupement des Employés Retraités de White Birch Stadacona

Jean-Daniel Breton

From:	Jocelyn Morency <bomo@videotron.ca>
Sent:	September-18-14 11:07 AM
To:	Martin Rosenthal; Jean-Daniel Breton; 'Sylvain Rigaud'
Cc:	'Jean Fontaine'; jreynaud@stikeman.com; steven.weisz@blakes.com; jhbae@mintz.com; jysimard@lavery.ca; jlatham@goodmans.ca; edsherrick@whitebirchpaper.com; manon.quesnel@judex.qc.ca; 'robert.mongeon@judex.qc.ca'
Subject:	REQUÊTE EN APPEL D'UNE DÉCISION DU CONTRÔLEUR- WHITE BIRCH
Attachments:	image001.jpg

Pour faire suite au questionnement de certains d’entre vous, veuillez prendre note que notre requête en appel d’une décision du contrôleur, présentable le 30 septembre prochain, sera reportée ***sine die***.

En effet, la décision attendue par l’Honorable Mongeon est un facteur déterminant dans la preuve à être présentée, comme il y est allégué. Or, comme à ce jour elle n’est pas connue, il nous sera forcément impossible de présenter notre requête et ce même si elle devait être rendue d’ici là, puisque les effets du jugement à intervenir nécessiteront fort probablement un temps d’analyse et de réflexion.

Bien à vous.

Me Jocelyn Morency

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