

Amended Bidding Procedures

The bidding procedures contained herein (the “Bidding Procedures”) are to be employed with respect to that certain Asset Sale Agreement, by and between White Birch Paper Company (together with certain subsidiaries, including Bear Island Paper Company, L.L.C., the “Sellers”) and BD White Birch Investment LLC (the “Purchaser”), dated as of August 10, 2010 (as amended, modified or supplemented, the “Sale Agreement”), concerning, among other things, the sale, conveyance, assignment and transfer (the “Sale”) of substantially all of the Sellers’ assets (the “Assets”). Capitalized terms used herein but not defined have the meanings ascribed to them in the Sale Agreement.

The Sale is subject to competitive bidding as set forth herein (the “Bidding Process”) and approval by the Superior Court of Québec (the “CCAA Court”) and the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division (the “Bankruptcy Court,” and together with the CCAA Court, the “Courts”) at hearings (the “Sale Hearings”) pursuant to the *Companies’ Creditors Arrangement Act* (the “CCAA”) and sections 105, 363 and 365 of title 11 of the United State Code (the “Bankruptcy Code”), respectively. Furthermore, the following Bidding Procedures and related bid protections provide a mechanism to reimburse Purchaser for its efforts and agreements to date and to facilitate a full and fair process seeking to maximize the value of the Assets for the benefit of the Sellers’ estates, their creditors and other parties in interest.

Background

Further to the orders issued by the CCAA Court and the Bankruptcy Court approving the Sale and Investor Solicitation Procedures (the “SISP Procedures” and the “SISP Orders”) on April 28, 2010 and April 29, 2010, respectively, the Sellers, with the assistance of their advisors, have been engaged in a comprehensive marketing process to solicit proposals in connection with the Sale.

To this end, the Sellers’ financial advisor contacted certain strategic and financial parties whom the financial advisor determined, in its reasonable professional judgment, may have an interest in acquiring all or any portion of the Assets. Such parties were provided with an initial offering summary and were invited to express their interest in making an offer to acquire all or substantially all of the Assets.

For those interested parties who then entered into a confidentiality agreement and were determined in the Sellers’ business judgment to be capable of consummating the Sale (the “Phase 1 Qualified Bidders”), each received a confidential information memorandum and access to a virtual data room which contained information regarding the Assets.

By June 15, 2010, the Sellers had received four non-binding indications of interest regarding the purchase of all or any portion of the Assets. Upon an evaluation of these indications of interest, the Sellers invited two of these parties (each, a “Phase II Qualified Bidder”) to perform due diligence with respect to the Assets, with the intention that one of the Phase II Qualified Bidders would serve as a stalking horse bidder at an auction of the Assets (the “Auction”).

From June 15, 2010 through July 15, 2010, the Sellers engaged in active discussions with the Phase II Qualified Bidders and conducted site visits at the Sellers' facilities in an effort to complete a comprehensive due diligence process.

As of the July 15, 2010 deadline established pursuant to the SISP Procedures and the SISP Order, only the Purchaser had provided the Sellers with an offer to purchase the Assets. Accordingly:

- (i) on August 10, 2010, the Canadian Sellers filed a motion with the CCAA Court seeking an order for approval of (I) execution and delivery of the Sale Agreement by the Canadian Sellers, (II) payment of the Break-Up Fee and Expense Reimbursement in the circumstances provided for in the Sale Agreement, and (III) approval of the Bidding Procedures and Sale of the Canadian Sellers' rights, title and interests in and to the Assets pursuant to the procedures set forth herein (the "Canadian Stalking Horse and Bidding Procedures Order");
- (ii) on August [●], 2010, the CCAA Court entered the Canadian Stalking Horse and Bidding Procedures Order approving, among other things, the Bidding Procedures set forth herein and the payment, in certain circumstances, of the Break-Up Fee and Expense Reimbursement to the Purchaser;
- (iii) on August 10, 2010, the U.S. Sellers filed the Motion of Bear Island Paper Company, L.L.C. for Entry of Orders Approving the (A) Form of the Purchase Agreement (B) Bidding Procedures (C) Form and manner of Notice of the Auction and Sale Hearing (D) Procedures for Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (E) Sale of Assets Free and Clear of Liens, Claims, Encumbrances and Interests, and (F) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases (the "U.S. Stalking Horse and Bidding Procedures Order," and together with the Canadian Stalking Horse and Bidding Procedures Order, the "Stalking Horse and Bidding Procedures Orders"); and
- (iv) on August 31, 2010, the Bankruptcy Court entered the U.S. Stalking Horse and Bidding Procedures Order approving, among other things, the Bidding Procedures set forth herein and the payment, in certain circumstances, of the Break-Up Fee and Expense Reimbursement to the Purchaser.

"Stalking Horse"

Pursuant to the SISP Procedures and the SISP Orders, the Purchaser has been designated by the Sellers to be the "Stalking Horse Bidder" for the Sale.

Participation Requirements

Only those persons or entities that are or shall become Phase 1 Qualified Bidders pursuant to the SISP Procedures and the SISP Orders (including any lender under the DIP Credit

Agreement or the First Lien Credit Agreement) may participate in the Bidding Process. For all purposes herein, the Purchaser is deemed a Phase 1 Qualified Bidder.

Due Diligence

Only Phase 1 Qualified Bidders may conduct due diligence and such due diligence must be completed by **5:00 p.m. (Eastern Time) on September 13, 2010.**

At the Sellers' discretion, due diligence access may include management presentations (as may be scheduled by the Sellers), access to physical and online data rooms, on-site inspections and such other matters that a Phase 1 Qualified Bidder may reasonably request and as to which Sellers, in their reasonable exercise of discretion, may agree.

The Sellers will designate employee(s) or other representative(s) to coordinate a Phase 1 Qualified Bidder's reasonable requests for additional information and due diligence access. In addition, the Sellers may, in their discretion, coordinate due diligence efforts such that multiple Phase 1 Qualified Bidders have simultaneous access to due diligence materials. Neither the Sellers nor any of their affiliates (nor any of their respective representatives) are obligated to furnish any information relating to all or any portion of the Assets to any person other than to Phase 1 Qualified Bidders.

Bid Deadline

All bids must be submitted to the Sellers c/o Lazard Middle Market LLC, 10 South Wacker Drive, 33rd Floor, Chicago, IL 60606 (Attn.: Craig Korte, craig.korte@lazardmm.com), so as to be **actually received** by **5:00 p.m. (Eastern Time) on September 13, 2010** (the "**Bid Deadline**").

Copies of all bids shall be simultaneously provided by facsimile transmission, electronic mail, personal delivery or reliable overnight courier service to counsel to the Sellers, the Monitor in the CCAA Proceedings, counsel to the Purchaser and counsel to the Administrative Agent, Syndication Agent and Majority Lenders under the DIP Credit Agreement (the "**DIP Parties**").

Qualified Bids

Only bids received from a Phase 1 Qualified Bidder before the Bid Deadline that include documents and satisfy each of the requirements set forth below (each a "**Qualified Bid**") will be considered at the Auction:

- (i) must be received by the Bid Deadline (as may be extended pursuant to the conditions discussed below);
- (ii) states that the applicable Phase 1 Qualified Bidder offers to purchase all or substantially all of the Assets upon the terms and conditions as substantially set forth in the Sale Agreement, including without limitation, with respect to certainty and timing of closing, or upon alternative terms and conditions that Sellers determine in their reasonable business judgment, after consultation

with their advisors and the Monitor, are no less favorable than the terms and conditions of the Sale Agreement;

- (iii) states that the applicable Phase 1 Qualified Bidder offers to purchase all or substantially all of the Assets for a purchase price or other value that is equal to or greater than the sum of the Purchase Price, plus (A) the amount of the Break-Up Fee, plus (B) an amount in respect of the Expense Reimbursement, plus (C) U.S. \$1,000,000;
- (iv) must be irrevocable until the closing of the Sale if such Phase 1 Qualified Bidder is selected as either the winning bidder (the “Winning Bidder”) or the alternative bidder (the “Alternative Bidder”);
- (v) includes (A) a duly authorized and executed form of the Sale Agreement, including the purchase price for all or any portion of the Assets expressed in U.S. Dollars, together with all exhibits and schedules thereto, (B) to the extent required by the terms and conditions of such bid, any ancillary agreements as described in the Sale Agreement together with all exhibits and schedules thereto, (C) copies of such materials marked to show those amendments and ancillary modifications to the Sale Agreement (respectively, the “Marked Agreements” and “Marked Ancillary Agreements”) and (D) proposed orders for the CCAA Court and Bankruptcy Court to approve the Sale;
- (vi) must be accompanied by a deposit (by means of a certified bank check from a U.S. bank or by wire transfer payable to White Birch Paper Company) of \$5,000,000 (the “Deposit”) to be dealt with as provided for under “Return of Deposits” below;
- (vii) is not conditioned on the outcome of unperformed due diligence by the Phase 1 Qualified Bidder and includes an acknowledgement and representation that the Phase 1 Qualified Bidder has had an opportunity to conduct any and all required due diligence prior to making its bid;
- (viii) must not be conditioned upon approval by the Bankruptcy Court or the CCAA Court of any bid protections, such as a break-up fee, termination fee, expense reimbursement or similar type of payment;
- (ix) must include written evidence of a firm, irrevocable commitment for financing from a creditworthy bank or financial institution that will provide such financing without (A) alteration of conditions or (B) delays and that is not contingent as of the Auction, or, other evidence of ability, as determined in the Sellers’ reasonable business judgment, to consummate the transaction contemplated by the Marked Agreements;
- (x) fully discloses the identity of each entity that will be bidding for all or any portion of the Assets or otherwise sponsoring or participating in connection

with such bid, and the complete terms of any such participation, including the identification of the Phase 1 Qualified Bidder's principal advisors;

- (xi) contains full details of the proposed number of Sellers' employees who will become employees of the Phase 1 Qualified Bidder and any proposed measures associated with (A) their continued employment and (B) the employment of all employees who will become employees of the Phase 1 Qualified Bidder;
- (xii) includes (A) an acknowledgment and representation that the Phase 1 Qualified Bidder will assume the Sellers' obligations under the executory contracts and unexpired leases proposed to be assumed and assigned pursuant to the Sale Agreement (or identifies, with particularity, which of such contracts and leases the Phase 1 Qualified Bidder does not wish to assume, or, alternatively, which additional contracts or leases the Phase 1 Qualified Bidder does wish to assume), (B) contains full details of the Phase 1 Qualified Bidder's proposal for the treatment of related cure costs and (C) identifies, with particularity, any contract or lease the assumption and assignment of which is a condition to closing;
- (xiii) includes an acknowledgement and representation that the Phase 1 Qualified Bidder (A) relied solely upon its own independent review, investigation and/or inspection of any documents and/or all or any portion of the Assets in making its bid and (B) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding all or any portion of the Assets or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in the Marked Agreement or the Marked Ancillary Agreements;
- (xiv) includes evidence, in form and substance reasonably satisfactory to the Sellers, of authorization and approval from the Phase 1 Qualified Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Marked Agreements and Marked Ancillary Agreements;
- (xv) includes evidence, in form and substance reasonably satisfactory to the Sellers of compliance or anticipated compliance with all regulatory approvals (including, if applicable, anti-trust and Canadian regulatory approval), the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
- (xvi) includes evidence of the Phase 1 Qualified Bidder's ability to comply with Section 11.3 of the CCAA and Section 365 of the Bankruptcy Code (to the extent applicable), which includes providing adequate assurance of such Phase 1 Qualified Bidder's ability to perform the contracts and leases proposed in its bid to be assumed by, or subleased to, the Phase 1 Qualified

Bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties to such contracts and leases; and

(xvii) contains other information reasonably requested by the Sellers.

Whether a bid of a Phase 1 Qualified Bidder meets the foregoing requirements to become a Qualified Bid will be determined by the Sellers in their reasonable business judgment, after consultation with their advisors and the Monitor; provided that the Sellers, in evaluating such bids, may not waive substantial compliance with any of the requirements set forth above and may not waive strict compliance with the requirements set forth in (i), (ii), (iii), (iv), (v)(A), (vi), (viii) and (ix) above. The Sellers will notify the Purchaser, the DIP Parties and the applicable Phase 1 Qualified Bidder if they determine that a Phase 1 Qualified Bidder has submitted a Qualified Bid and provide a copy of that bid to the Purchaser and the DIP Parties, in each case on the day that any such determination is made. The Sale Agreement, as it may be amended, modified, or supplemented in accordance with its terms, shall constitute a Qualified Bid for all purposes.

The Sellers, in their reasonable business judgment, after consultation with their advisors and the Monitor, may reject any proposal (other than the Sale Agreement) that (a) does not meet any of the requirements set forth above, (b) is on terms that are more burdensome or conditional than the terms of the Sale Agreement, (c) entitles the Phase 1 Qualified Bidder to any break-up fee, termination fee, expense reimbursement or similar type of payment or (d) is contrary to the best interests of the Sellers' estates, their creditors and other parties in interest.

If the Sellers do not receive any Qualified Bids other than the Sale Agreement by the Bid Deadline, the Auction shall be cancelled and the Sellers shall report the same to the Bankruptcy Court and the CCAA Court and shall proceed immediately with the Sale pursuant to the terms of the Sale Agreement.

Auction, Bidding Increments and Bids Remaining Open

If, in addition to the Qualified Bid submitted by the Purchaser, the Sellers receive one or more other Qualified Bids, the Sellers shall conduct the Auction at the offices of Kirkland & Ellis, 601 Lexington Avenue, New York, New York 10022, beginning at **10:00 a.m. (Eastern Time) on September 15, 2010** or at such later time or other place as the Sellers will notify all Qualified Bidders.

At least two days prior to the Auction, the Sellers shall provide the Purchaser, the DIP Parties and all Qualified Bidders with complete copies of all Qualified Bids. The Auction shall run in accordance with the following procedures:

- (i) Only the Purchaser, Sellers, representatives of the DIP Parties and any Qualified Bidders (and the advisors to each of the foregoing) shall be entitled to attend the Auction and only the Purchaser and such Qualified Bidders shall be entitled to make any subsequent Qualified Bids at the Auction.
- (ii) At the Auction, all Qualified Bidders shall be permitted to increase their Qualified Bids in accordance with the procedures set forth herein (each, a "Subsequent

Bid”). All Subsequent Bids presented during the Auction shall be made and received in one room on an open basis. All participating Qualified Bidders shall be entitled to be present for all bidding with the understanding that the true identity of each participating Qualified Bidder shall be fully disclosed to all other Qualified Bidders and that all material terms of each Subsequent Bid presented during the Auction will be fully disclosed to the Purchaser and all other participating Qualified Bidders throughout the entire Auction.

- (iii) All Qualified Bidders at the Auction must have at least one individual representative with authority to bind such Qualified Bidder present in person at the Auction.
- (iv) All proceedings at the Auction shall be conducted before and transcribed by a court stenographer.
- (v) At least one (1) day prior to the Auction, Sellers will advise the Purchaser and all other Qualified Bidders which Qualified Bid the Sellers have determined in their reasonable business judgment, after consultation with their advisors and with the Monitor, constitutes the then highest or otherwise best offer for the Assets (the “Starting Bid”).
- (vi) Bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round (i) at least one Subsequent Bid is submitted by a Qualified Bidder that improves upon such Qualified Bidder’s immediately prior Qualified Bid and meets the overbid requirement set forth in paragraph (vii) below, and (ii) that the Sellers determine in their reasonable business judgment, after consultation with its advisors and with the Monitor, is a higher or otherwise better offer than the then current leading Qualified Bid.
- (vii) Bidding at the Auction shall be in increments of \$500,000 and shall continue until such time as the highest and best bid is determined by the Sellers in their reasonable business judgment after consultation with their advisors and with the Monitor. The Sellers, in their sole discretion, shall have the right to modify the bidding increments throughout the course of the Auction. For the purpose of evaluating the value of the consideration provided by each bid (including any Subsequent Bid by the Purchaser) presented at the Auction, the value will: (i) be deemed to be the net consideration payable to the Sellers after considering, *inter alia*, any break-up fee or expense reimbursement due to the Purchaser under the Sale Agreement; and (ii) take into account any additional liabilities to be assumed by a Qualified Bidder as well as any additional costs which may be imposed on the Sellers under any such bid.
- (viii) After the first round of bidding and between each subsequent round of bidding, the Sellers shall announce the Qualified Bid or Subsequent Bid, as the case may be, that the Sellers have determined in their reasonable business judgment after consultation with their advisors and with the Monitor to be the then highest or

best bid (the “Leading Bid”). A round of bidding will conclude after each participating Qualified Bidder has had an opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid.

- (ix) At the conclusion of the Auction pursuant to paragraph (vii) above, the Sellers will announce the Qualified or Subsequent Bid which they have determined in their reasonable business judgment, after consultation with their advisors and the Monitor, to be the highest and best bid (the “Winning Bid”) and such Winning Bid will be submitted to the Courts for approval at the Sale Hearings, along with the second highest and best Qualified Bid (the “Alternative Bid”). The Sellers will be deemed to have accepted any Qualified Bid only when such Qualified Bid is determined to be the Winning Bid and has been approved by the Courts.
- (x) At the Auction, the Sellers, after consultation with their advisors and with the Monitor, may employ and announce additional procedural rules that are fair and reasonable under the circumstances (*e.g.*, the amount of time allotted to make subsequent bids) for conducting the Auction; provided, however, that such rules are (a) not inconsistent with the Bidding Procedures, the Bankruptcy Code, the CCAA, any order of the Courts or the CCAA Court entered in connection in connection with the Bidding Procedures and (b) disclosed to each Qualified Bidder at the Auction.

Notwithstanding anything herein to the contrary, the Sellers may not, without the written consent of the applicable agent under the DIP Credit Agreement, select a bid as the Winning Bid unless such bid provides for the payment, on the closing date of the transaction with the Winning Bidder, in full in cash all obligations under the DIP Credit Agreement.

Credit Bidding

Notwithstanding anything herein to the contrary, the applicable agent under the DIP Credit Agreement and the applicable agent under the First Lien Credit Agreement shall each be entitled to credit bid pursuant to section 363(k) of the Bankruptcy Code and other applicable law.

Break-up Fee and Expense Reimbursement

If the Sellers accept a Qualified Bid other than a bid of the Purchaser as the Winning Bid, then the Sellers shall pay to the Purchaser as compensation for Purchaser’s efforts in connection with the negotiation and execution of the Sale Agreement and the transactions contemplated thereby an amount equal to the Break-Up Fee and the Expense Reimbursement due to the Purchaser pursuant to the terms of the Sale Agreement, as approved by the Courts under the Stalking Horse and Bidding Procedures Orders.

The Sale Hearings

The Sale Hearings are to be held immediately following the Auction (if any), and in any event, the Sellers shall use commercially reasonable efforts to have the CCAA Court and the Bankruptcy Court issue orders approving the Sale by September 22, 2010. The Sale Hearing before the CCAA Court is not yet scheduled but is intended to be held on or before

September 22, 2010. The Sale Hearing before the Bankruptcy Court is scheduled for **September 22, 2010 at 2:30 p.m. (prevailing Eastern Time)**. At the Sale Hearings, the Sellers will seek entry of the Sale Orders, which will, among other things, authorize and approve the Sale (i) to the Purchaser, if no other Qualified Bid is received and accepted as the Winning Bid and pursuant to the terms and conditions set forth in the Sale Agreement or (ii) to the Winning Bidder, if a Qualified Bid other than from the Purchaser is received and accepted by the Sellers as the Winning Bid in accordance with these Bidding Procedures and pursuant to the terms and conditions set forth in the Sale Agreement or marked form of the Sale Agreement submitted by that Winning Bidder. All Qualified Bids (other than the Winning Bid and the Alternative Bid) shall be deemed rejected by the Sellers on and as of the date of approval of the Winning Bid and the Alternative Bid by the Courts pursuant to the Sale Orders.

If, following the entry of the Sale Orders by the Courts, the Winning Bidder fails to consummate a transaction with Sellers in respect of such Winning Bid that is the result of a breach or failure to perform on the part of such Winning Bidder, then the Alternative Bid shall be deemed the Winning Bid and Sellers shall be authorized to consummate a transaction in respect of the Alternative Bid without further orders of the Courts.

Failure to Consummate Purchase

If the Winning Bidder (other than Purchaser) fails to consummate the Sale, and such failure is the result of a breach by the Winning Bidder, the Winning Bidder's Deposit shall be forfeited to Sellers and, except to the extent provided in the Sale Agreement or Marked Agreement, the Sellers specifically reserve the right to seek all available damages from such person or entity.

Return of Deposits

The Deposits of the Winning Bidder and the Alternative Bidder shall be retained by The Bank of New York Mellon and such Qualified Bids shall remain open until the closing of a transaction with the Winning Bidder regarding the Winning Bid. The Deposits of all other Qualified Bidders shall be promptly returned after entry of the Sale Orders. The Deposit of the Qualified Bidder submitting the Alternative Bid shall be promptly returned after the closing of the sale to the Winning Bidder.

Modifications

The Sellers, after consultation with their advisors and the Monitor, may (a) determine, in their reasonable business judgment, which Qualified Bid, if any, is the highest or otherwise best offer, (b) reject, at any time before entry of orders of the Courts approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the CCAA, these Bidding Procedures or the terms and conditions of the Sale Agreement or (iii) contrary to the best interests of Sellers' estates, their creditors and other parties in interest, and (c) with the prior consent of Purchaser, extend the Bid Deadline, the date of Auction or the date of either of the Sale Hearings; provided, however, that if the Purchaser submits the only Qualified Bid, the terms provided in clauses (a) and (b) above shall be inoperative.

Other

In the event that the Sellers and any party disagree as to the interpretation or application of these Bidding Procedures, the CCAA Court and the Bankruptcy Court will have jurisdiction to hear and resolve such dispute.