CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-038474-108

SUPERIOR COURT
(Commercial Division)
The *Companies' Creditors Arrangement Act*

IN THE MATTER OF THE PLAN OF ARRANGEMENT AND COMPROMISE OF:

WHITE BIRCH PAPER HOLDING COMPANY

-and-

WHITE BIRCH PAPER COMPANY

-and-

STADACONA GENERAL PARTNER INC.

-and-

BLACK SPRUCE PAPER INC.

-and-

F.F. SOUCY GENERAL PARTNER INC.

-and-

3120772 NOVA SCOTIA COMPANY

-and-

ARRIMAGE DE GROS CACOUNA INC.

-and-

PAPIER MASSON LTÉE

Debtors

-and-

ERNST & YOUNG INC.

Monitor

-and-

STADACONA LIMITED PARTNERSHIP

-and-

F.F. SOUCY LIMITED PARTNERSHIP

-and-

F.F. SOUCY, INC. & PARTNERS, LIMITED PARTNERSHIP

Mises en Cause

MOTION TO APPROVE A STALKING HORSE BIDDER, TO APPROVE AN ASSET SALE AGREEMENT, TO APPROVE BIDDING PROCEDURES FOR THE SALE OF SUBSTANTIALLY ALL THE WB GROUP'S ASSETS AND TO SCHEDULE AN AUCTION AND SALE HEARING

TO THE HONOURABLE CLAUDE AUCLAIR, J.S.C., THE DEBTORS SUBMIT AS FOLLOWS:

1. On February 24th, 2010, this Honourable Court issued an order (the "**Initial Order**") extending the protection of the *Companies' Creditors Arrangement Act* (the "CCAA") to the Debtors and the Mises en Cause (collectively the "**WB Group**");

2. Pursuant to the Initial Order, Ernst & Young Inc. was appointed as Monitor of the WB Group (the "**Monitor**"), and a stay of proceedings (the "**Stay of Proceedings**") was granted until March 26th, 2010 (the "**Stay Period**");

3. On March 26th, 2010, this Honourable Court issued an Order extending the stay period until July 12th, 2010;

4. The Stay Period was subsequently extended until October 15th, 2010, by an Order dated July 12th, 2010;

THE SALE OF THE WB GROUP'S PURCHASED ASSETS

5. As appears from the Monitor's Report dated July 10th, 2010, filed in the Court record, the WB Group now seeks to complete the sale of all or substantially all of

its assets (the "**Assets**"), in accordance with the Sale and Investor Solicitation Process ("**SISP**") approved by this Honourable Court on April 29, 2010;

6. The sale process was initiated in April as set out in the SISP, filed in the Court record;

7. The sale process is governed by the SISP, filed in the Court record, the dates of which are consistent with the milestones in Section 5.19 of the Interim Finance Credit Agreement ("**IFCA**"), which must be met by the WB Group;

8. The key milestones for the sale process as prescribed by the SISP and at Section 5.19 of the IFCA include various deadlines or steps leading to the sale of the Assets of the WB Group, and notably:

    (i) receipt of initial non-binding letters of interest by no later than June 15th, 2010;

    (ii) receipt of Phase II Qualified Bids[1] by July 15th, 2010;

    (iii) selection of a Stalking Horse Bidder for the sale of the Assets by August 2nd, 2010;

9. In addition, pursuant to paragraph 3(g) of the SISP and Section 5.19 of the IFCA, the present motion was to be filed by no later than August 2nd, 2010, seeking an order of this Honourable Court approving the Stalking Horse Agreement and the Bidding Procedures by no later than August 16th, 2010;

10. Subsequent thereto, an auction of the Assets was to be held on or prior to August 23rd, 2010 (if additional Qualified Bids (as defined and described in further detail below) are received), and the WB Group was to seek to have this Honourable Court issue an order approving the sale of the Assets by no later than August 26th, 2010, the whole as appears from the SISP and Section 5.19 of the IFCA, filed in the Court record;

THE SISP AND THE OFFERS RECEIVED

11. In accordance with the SISP, the WB Group, in conjunction with its advisors, including Lazard Freres & Co. LLC ("**Lazard**"), compiled a list of over 65 potential strategic and financial purchasers for the assets of the WB Group and sent an initial offering summary *"teaser letter"* and draft confidentiality agreement to 52 of those parties advising of the SISP and inviting the potential purchasers to submit bids for the assets;

12. Twenty-two (22) potential purchasers ("**Phase I Qualified Bidders**") expressed an interest in acquiring the assets and Lazard distributed a confidential

---

[1] Terms not otherwise defined herein shall have the meaning given to them in the SISP or the Bidding Procedures (as defined below).

information memorandum describing the WB Group's assets to each of the 16 parties who executed confidentiality agreements in connection with the SISP;

13. Phase I Qualified Bidders who executed confidentiality agreements were also given access to a virtual data room which contained information regarding the Assets;

14. As appears from the Monitor's Report dated August 10th, 2010, attached herewith as **Exhibit SM-1**, a total of four (4) non-binding letters of interest were received by the deadline of June 15, 2010. Two of the parties that submitted a letter of interest were declared Phase II Qualified Bidders;

15. From June 15, 2010, through July 15, 2010, the WB Group and its advisors engaged in active discussions with the Phase II Qualified Bidders and conducted management presentations and site visits as part of the diligence process;

16. On July 15, 2010, the deadline for the submission of a Phase II Qualified Bid under the SISP, the WB Group received one offer deemed to be a Phase II Qualified Bid, on the basis that it was an offer to purchase all or substantially all of the Assets, which, as required by the SISP, included, among other things, a description of the assets to be purchased, the purchase price and other ancillary agreements/conditions related to the Sale, being the bid made by BD White Birch Investment LLC ("**BD**");

17. From July 15, 2010, to August 10th, 2010, the WB Group, in consultation with the Monitor, and BD negotiated the terms of a definitive stalking horse asset purchase agreement;

18. On August 10th, 2010, an asset sale agreement was entered into between the WB Group as seller and BD as purchaser (the "**ASA**"), a copy of which is attached herewith as **Exhibit SM-2,** and BD was declared the stalking horse bidder;

19. Pursuant to the ASA, BD will, among other things: (i) pay US$90,000,000 plus an amount not to exceed US$3,600,000 required by the WB Group to wind down their estates after closing; (ii) assume significant liabilities of the WB Group; (iii) pay applicable cure costs to contractual counter-parties with the WB Group up to a maximum of US$27,000,000; (iv) provide the Reserve Payment Amount and the letter of credit contemplated by the ASA in respect of the D&O Charge, and (iv) offer continued employment to approximately 1,250 employees of the WB Group;

20. The ASA was negotiated between arm's length parties and the WB Group believes it represents a reasonable price for the Assets in the circumstances;

NEXT STEPS IN THE SALE OF THE ASSETS

21. As set out above, pursuant to the SISP and Section 5.19 of the IFCA, the WB Group must have the ASA, Exhibit SM-2, approved by this Honourable Court;

22. In accordance with the SISP, the WB Group will now proceed with a further competitive bidding process and, potentially, an auction for the sale of the Assets;

23. The said competitive bidding process is to be conducted in the manner set out in the agreed upon bidding procedures, attached herewith as **Exhibit SM-3** (the **"Bidding Procedures"**);

24. Due to the lengthy negotiations required in order to finalize and enter into the ASA, the WB Group has adjusted the forthcoming deadlines for the sale process and the new deadlines have been integrated into the Bidding Procedures;

25. As appears from the Bidding Procedures, all Phase I Qualified Bidders shall be invited to submit a bid for the Assets, which bid must be received by August 30th, 2010 (the **"Bid Deadline"**);

26. As further appears from the Bidding Procedures, bid(s) received on or prior to the Bid Deadline shall be considered on the basis of the various criteria specified in the Bidding Procedures, and a determination will be made by the WB Group, in consultation with the Monitor, and in accordance with the Bidding Procedures, as to whether such bid(s) may be considered *"Qualified Bids"* for the purposes thereof;

27. To the extent that one (1) or more Qualified Bids other than the Qualified Bid made by BD (and referred to above) are received, the WB Group shall conduct an auction of the Assets at the New York offices of Kirkland & Ellis, the WB Group's US counsel, on September 1st, 2010, as set out in the Bidding Procedures;

28. As appears from the Bidding Procedures, and as set out in the ASA, to the extent that an auction is held, and if a bid made by a party other than BD is selected as the winning bid for the Assets, a break-up fee of US$5,000,000, as well as an expense reimbursement of up to US$2,500,000, shall become payable to BD;

29. If no other Qualified Bids are received by the Bid Deadline, the sale of the Assets shall proceed pursuant to the terms of the ASA, and subject to the issuance of the Sale Order;

30. In the circumstances, the WB Group believes that the Bidding Procedures represent the best way to maximize value for all stakeholders;

THE SALE HEARINGS

31. Upon the completion of this further competitive bidding process and the auction, if any, the WB Group shall return before this Honourable Court, and seek the issuance of an order authorizing and approving the sale of the Assets by September 8th, 2010 (the "**Sale Order**");

32. A parallel hearing for the same purpose shall be held before the United States Bankruptcy Court;

REQUIRED APPROVALS

33. As required pursuant to the terms of the IFCA, the present motion, the Bidding Procedures and the identity of the stalking horse bidder, as well as the terms of the ASA, have been duly approved by the interim lenders;

34. Furthermore, as appears from the Monitor's Report, Exhibit SM-1, the Monitor has reviewed and commented on the ASA, Exhibit SM-2, and, in the circumstances, approves of the selection of BD as the stalking horse bidder;

35. As is more fully explained in the Monitor's report, although the Monitor considers that the ASA may not generate value in excess of liquidation value, it nevertheless considers that proceeding with a transaction on terms similar to those set out in the ASA is preferable to a liquidation both for creditors and for other stakeholders, most notably the WB Group's employees;

36. Furthermore, the Monitor considers that the competitive bidding process at the Auction presents a reasonable opportunity to increase return for the creditors and the Monitor approves of the proposed Bidding Procedures for that purpose;

37. For the reasons set out above, the WB Group is seeking this Honourable Court's approval of BD as the stalking horse bidder, of the Bidding Procedures and of the ASA;

38. The U.S. Debtor is seeking similar relief from the U.S. Bankruptcy Court;

39. In addition, pursuant to the ASA, and in particular Sections 5.1 and 9.2 thereof, the WB Group must obtain the issuance by this Court of an order approving the Break-Up Fee and Expense Reimbursement (each as defined in the ASA) and establishing a charge (the "**BD Charge**") upon the WB Group's assets securing payment of same, failing which BD is entitled to terminate the ASA;

40. The BD Charge is to have priority over all other claims against the assets of the WB Group, with the exception of the Administration Charge, the D & O Charge and the Interim Financing Charge, each as defined and established in the Initial Order;

41. The Break-Up Fee, the Expense Reimbursement and the BD Charge are essential elements of the ASA and failure to obtain approval of them would expose the WB Group to the termination of the ASA, thus leaving the WB Group without a stalking horse bidder;

42. In light of this, and as proceeding on the basis of the ASA is considered to be the WB Group's best option at the present time, it is submitted that the BD Charge must be granted;

43. Moreover, the BD Charge is unlikely to cause any prejudice to the WB Group's other creditors, as the Break-Up Fee shall only become payable if another bidder is selected as the winning bidder in connection with the sale of the WB Group's assets following an auction, in which case, according to the requirements of the Bidding Procedures, such alternative transaction shall provide sufficient additional funds to remit the Break-Up Fee as required;

44. In addition, the ASA contemplates that at Closing the $10 million D&O Charge (as defined in the Initial Order) and the $3 million Administrative Charge (as defined in the Initial Order) will be discharged and expunged and replaced, in effect, with the $10 million letter of credit and the $3 million Wind-Down Amount pursuant to the Canadian Sale Order (as defined in the ASA) and as provided for under Sections 5.2(g) and 5.18 of the ASA, respectively. As these provisions of the ASA are fundamental requirements of the transaction for BD, BD requires that these provisions be considered and approved by the Court at this stage, failing which it may not be in a position to serve as the stalking horse for the competitive bidding process contemplated by the Bidding Procedures. This motion has, accordingly, been served on all of the beneficiaries of these Charges;

45. In addition, the professionals who are the beneficiaries of the Administrative Charge, and the current directors and officers of the Petitioners and the Mises en Cause who are the beneficiaries of the D&O Charge, have reviewed these provisions of the ASA and the contemplated Sale Order and have no objection to these provisions, and the intended replacement of these Charges by the Wind-Down Amount and the letter of credit on Closing;

WHEREFORE, MAY IT PLEASE THE COURT TO:

GRANT the present Motion;

DECLARE sufficient the service and notice of the present Motion;

APPROVE the Monitor's Report, Exhibit SM-1;

APPROVE as the Stalking Horse Agreement, the Asset Sale Agreement dated August 10th, 2010, Exhibit SM-2, by and between White Birch Paper Company (together with certain subsidiaries) and BD - White Birch Investment LLC (the "**Sale Agreement**"), including, without limitation, the obligations of the Sellers to pay the Break-Up Fee and the Expense Reimbursement (as such terms are defined in the Sale Agreement) to the Purchaser on the terms and conditions set forth in the Sale Agreement;

APPROVE the bidding procedures, as set out at Exhibit SM-3 (the "**Bidding Procedures**"), including, without limitation, the section entitled *"Break-Up Fee and Expense Reimbursement"*;

ORDER that the capitalized terms used herein but not defined shall have the meanings ascribed to them in the Bidding Procedures or, if not defined therein, in the Initial Order;

DECLARE that BD White Birch Investment LLC shall be the stalking horse bidder for the purposes of the competitive bidding process set out in the Bidding Procedures, Exhibit SM-3;

AUTHORIZE AND ORDER the WB Group, its advisors and the Monitor to conduct the competitive bidding process set out in the Bidding Procedures, Exhibit SM-3, in accordance with the Bidding Procedures;

ORDER that, to the extent a Qualified Bid, as defined in the Bidding Procedures, Exhibit SM-3, other than the bid received from BD White Birch Investment LLC, is received by no later than 5:00 pm (Eastern time) on August 30th, 2010, an auction for the Assets of the WB Group shall be held at the offices of Kirkland & Ellis, 601 Lexington Avenue, New York, New York, United States of America, 10022, beginning at 10:00 am (Eastern time) on September 1st, 2010; or at such later time or other place as the WB Group shall notify all Qualified Bidders in accordance with the terms of the Bidding Procedures;

AUTHORIZE AND ORDER the WB Group and its advisors to carry out any such Auction in accordance with the Bidding Procedures;

DECLARE that a hearing shall take place before the Superior Court of Quebec, Commercial Division, on or prior to September 8th, 2010 in order to authorize and approve the sale of the WB Group's Assets, pursuant to the terms set out in the Asset Purchase Agreement, Exhibit SM-2, or pursuant to the terms of an alternative transaction with the winning bidder at the auction, as the case may be (the "**Sale Hearing**");

ORDER that, in the event that no Qualified Bids other than the Qualified Bid submitted by BD are received pursuant to the terms of the Bidding Procedures, that the WB Group is authorized and ordered to (i) cancel the Auction and (ii) seek entry of the Canadian Sale Order (as defined in the Sale Agreement) in accordance with the Bidding Procedures;

DECLARE that, pursuant to the terms of the Sale Agreement and as security for the Debtors' and the Mises en Cause's obligation to pay the Break-Up Fee and the Expense Reimbursement to the Purchaser, as hereby approved under the terms and conditions set forth in the Sale Agreement and the Bidding Procedures, the Purchasers are hereby granted a hypothec on, mortgage of, lien on and security interest in the Property to the extent of the aggregate amount of the Break-Up Fee and the Expense Reimbursement (being seven million five hundred thousand United States dollars (US $7,500,000.00)), which charge shall be subordinate to the Administration Charge, the D&O Charge and the Interim Financing Charge, but shall otherwise be, and be deemed to be, an additional

"CCAA Charge" under, and for the purposes of, the provisions of the Initial Order concerning the CCAA Charges;

DECLARE that, in the event that BD submits the Winning Bid (as defined in the Bidding Procedures), the provisions of the ASA that contemplate that at Closing the $10 million D&O Charge (as defined in the Initial Order) and the $3 million Administrative Charge (as defined in the Initial Order) will be discharged and expunged and replaced, in effect, with the $10 million letter of credit and the $3 million Wind-Down Amount, pursuant to the Canadian Sale Order (as defined in the ASA) and as provided for under Sections 5.2(g) and 5.18 of the ASA, respectively, are approved;

ORDER that, in connection with the Bidding Procedures and pursuant to clause 7(3)(c) of the Personal Information Protection and Electronic Documents Act (Canada), the Debtors and the Mises en Cause are authorized and permitted to disclose personal information of identifiable individuals to Qualified Bidders and their advisors, but only to the extent required in connection with the terms of the Bidding Procedures and the bidding and sale process to be conducted thereunder. Each such Qualified Bidder shall maintain and protect the privacy of such information and limit the use of such information to its participation in the Sale and, if it does not complete the Sale, shall return all such information to the Debtors and the Mises en Cause, or in the alternative, destroy all such information;

REQUEST the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere, including the United States Bankruptcy Court for the Eastern District of Virginia, to give effect to this Order and to assist the Debtors, the Mises en Cause and the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Debtors, the Mises en Cause and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Debtors, the Mises en Cause and the Monitor and their respective agents in carrying out the terms of this Order;

THE WHOLE WITHOUT COSTS EXCEPT IN CASE OF CONTESTATION.

Montreal, this 10th day of August, 2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for the Debtors

AFFIDAVIT

I, the undersigned, EDWARD D. SHERRICK, businessman, doing business at 80 Field Point Road, Suite 3, in the city Greenwich, Connecticut, U.S.A, do solemnly declare as follows:

1. I am a duly authorized representative of the Debtors;

2. All the facts alleged in the present motion are true.

AND I HAVE SIGNED:

EDWARD D. SHERRICK

SOLEMNLY DECLARED before me on this 10 day of August, 2010

Notary Public

RICHARD D. ANGOTTA
NOTARY PUBLIC
State of Connecticut
My Commission Expires
February 28, 2014

ATTESTATION OF AUTHENTICITY

I, the undersigned, **MATTHEW LIBEN**, attorney, practicing my profession at Stikeman Elliott LL.P., located at 1155 René-Lévesque Boulevard West, Suite 4000, in the City and District of Montreal, Province of Quebec, H3B 3V2, do hereby solemnly affirm as follows:

1. I am an attorney at the law firm of Stikeman Elliott LL.P.;
2. On August 10th, 2010, at 10 00 a.m. Eastern time (EDT), I received the Affidavit of Edward D. Sherrick, dated August 10th, 2010, by email received from Mr. Sherrick himself;
3. The copy of the Affidavit attached hereto is a true copy of the said Affidavit of Edward D. Sherrick received by email today;
4. The facts alleged herein are true.

Solemnly declared before me, at Montreal, Quebec, this 10th day of August, 2010

MARIE-GÉRARD BARTHÉLEMY
124 395

Commissioner of Oaths for the all judicial district(s) of the Province of Quebec

AND I HAVE SIGNED

MATTHEW LIBEN

NOTICE OF PRESENTATION

TO: SERVICE LIST

TAKE NOTICE of the foregoing *"Motion to Approve a Stalking Horse Bidder, to Approve an Asset Sale Agreement, to Approve Bidding Procedures for the Sale of Substantially All the WB Group's Assets and to Schedule an Auction and Sale Hearing"*; and that same will be presented for adjudication before the Honourable Claude Auclair, J.S.C., on **August 24th, 2010, at 9 30 a.m.**, or at a time deemed more convenient, at the **Montreal Courthouse**, located at 1 Notre-Dame Street East, Montreal, Québec, in **Room 16.12.**

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, this 10th day of August, 2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for the Debtors

CANADA

SUPERIOR COURT
(Commercial Division)
The *Companies' Creditors Arrangement Act*

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-038474-108

IN THE MATTER OF THE PLAN OF ARRANGEMENT AND COMPROMISE OF:

WHITE BIRCH PAPER HOLDING COMPANY

-and-

WHITE BIRCH PAPER COMPANY

-and-

STADACONA GENERAL PARTNER INC.

-and-

BLACK SPRUCE PAPER INC.

-and-

F.F. SOUCY GENERAL PARTNER INC.

-and-

3120772 NOVA SCOTIA COMPANY

-and-

ARRIMAGE DE GROS CACOUNA INC.

-and-

PAPIER MASSON LTÉE

Debtors

-and-

ERNST & YOUNG INC.

Monitor

-and-

STADACONA LIMITED PARTNERSHIP

-and-

F.F. SOUCY LIMITED PARTNERSHIP

-and-

F.F. SOUCY, INC. & PARTNERS, LIMITED PARTNERSHIP

Mises en Cause

LIST OF EXHIBITS

EXHIBIT SM-1: Copy of the Monitor's Report dated August 10th, 2010

EXHIBIT SM-2: Copy of an asset sale agreement dated August 10th, 2010

EXHIBIT SM-3: Copy of the Bidding Procedures

Montreal, this 10th day of August, 2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for the Debtors