B104 (FORM 104) (08/07) EDVA

ADVERSARY PROCEEDING COVER SHEET (Instructions on Reverse)	**ADVERSARY PROCEEDING NUMBER** (Court Use Only)
PLAINTIFFS OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF BEAR ISLAND PAPER COMPANY, L.L.C.	**DEFENDANTS** BRANT INDUSTRIES, INC.
ATTORNEYS (Firm Name, Address, and Telephone No.) Jason W. Harbour, Esq., Hunton & Williams LLP, 951 E. Byrd Street, Richmond, Virginia 23219, (804) 788-8200	**ATTORNEYS** (If Known) Bruce R. Zirinsky, Esq. Greenberg Traurig, LLP, 200 Park Avenue, New York, New York 10166 (212) 801-9222
PARTY (Check One Box Only) ☐ Debtor ☐ U.S. Trustee/Bankruptcy Admin ☐ Creditor ☑ Other ☐ Trustee	**PARTY** (Check One Box Only) ☐ Debtor ☐ U.S. Trustee/Bankruptcy Admin ☑ Creditor ☐ Other ☐ Trustee

CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED)

This adversary proceeding is brought to avoid and recover fraudulent transfers and/or preferential transfers pursuant to 11 U.S.C. §§ 548, 547 and 550, and to disallow claims pursuant to 11 U.S.C § 502.

NATURE OF SUIT

(Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)

FRBP 7001(1) – Recovery of Money/Property
- ☐ 11-Recovery of money/property - §542 turnover of property
- ☑ 12-Recovery of money/property - §547 preference
- ☑ 13-Recovery of money/property - §548 fraudulent transfer
- ☐ 14-Recovery of money/property - other

FRBP 7001(2) – Validity, Priority or Extent of Lien
- ☐ 21-Validity, priority or extent of lien or other interest in property

FRBP 7001(3) – Approval of Sale of Property
- ☐ 31-Approval of sale of property of estate and of a co-owner - §363(h)

FRBP 7001(4) – Objection/Revocation of Discharge
- ☐ 41-Objection / revocation of discharge - §727(c),(d),(e)

FRBP 7001(5) – Revocation of Confirmation
- ☐ 51-Revocation of confirmation

FRBP 7001(6) – Dischargeability
- ☐ 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims
- ☐ 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud
- ☐ 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny

(continued next column)

FRBP 7001(6) – Dischargeability (continued)
- ☐ 61-Dischargeability - §523(a)(5), domestic support
- ☐ 68-Dischargeability - §523(a)(6), willful and malicious injury
- ☐ 63-Dischargeability - §523(a)(8), student loan
- ☐ 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support)
- ☐ 65-Dischargeability - other

FRBP 7001(7) – Injunctive Relief
- ☐ 71-Injunctive relief – imposition of stay
- ☐ 72-Injunctive relief – other

FRBP 7001(8) Subordination of Claim or Interest
- ☐ 81-Subordination of claim or interest

FRBP 7001(9) Declaratory Judgment
- ☐ 91-Declaratory judgment

FRBP 7001(10) Determination of Removed Action
- ☐ 01-Determination of removed claim or cause

Other
- ☐ SS-SIPA Case – 15 U.S.C. §§78aaa *et.seq.*
- ☐ 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)

☐ Check if this case involves a substantive issue of state law	☐ Check if this is asserted to be a class action under FRCP 23
☐ Check if a jury trial is demanded in complaint	Demand $ 9,345,264.10

Other Relief Sought
Disallowance of claim.

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR BEAR ISLAND PAPER COMPANY, L.L.C.	BANKRUPTCY CASE NO. 10-31202	
DISTRICT IN WHICH CASE IS PENDING E.D. Virginia	DIVISION OFFICE Richmond	NAME OF JUDGE Hon. Douglas O. Tice, Jr.
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING	DIVISION OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF) /s/ Jason W. Harbour		
DATE 10/7/2011	PRINT NAME OF ATTORNEY (OR PLAINTIFF) Jason W. Harbour	

INSTRUCTIONS

The filing of a bankruptcy case creates an "estate" under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor's discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also complete and file Form 104, the Adversary Proceeding Cover Sheet, *unless the party files the adversary proceeding electronically through the court's Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 104 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff's attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

Plaintiffs and **Defendants.** Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

Attorneys. Give the names and addresses of the attorneys, if known.

Party. Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

Demand. Enter the dollar amount being demanded in the complaint.

Signature. This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.

*Per LBR 7003-1, in the EDVA, a properly completed Adversary Proceeding Cover Sheet is required.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

In re:	
BEAR ISLAND PAPER COMPANY, L.L.C.,	Case No. 10-31202-DOT
Debtor.	Chapter 11
OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF BEAR ISLAND PAPER COMPANY, L.L.C.,	Adv. No. _____
Plaintiff,	
v.	
BRANT INDUSTRIES, INC.,	
Defendant.	

COMPLAINT TO AVOID TRANSFERS AND TO
RECOVER PROPERTY AND FOR RELATED RELIEF

The Official Committee of Unsecured Creditors (the "Committee") of Bear Island Paper Company, L.L.C. ("Bear Island"), by undersigned counsel, files this Complaint to Avoid Transfers and to Recover Property and for Related Relief pursuant to 11 U.S.C. §§ 547, 548, 550, and 502 against Brant Industries, Inc. ("Brant Industries") and hereby alleges as follows:

Benjamin C. Ackerly, Esq.
Tyler P. Brown, Esq.
Jason W. Harbour, Esq.
Hunton & Williams LLP
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backerly@hunton.com
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Counsel for the Official Committee of Unsecured Creditors

I. The Parties

1. The Committee is the duly appointed Official Committee of Unsecured Creditors of Bear Island Paper Company, L.L.C. The Committee was appointed pursuant to section 1102 of the Bankruptcy Code on March 3, 2010. The Committee has been granted standing to file this Complaint on behalf of Bear Island and its bankruptcy estate.

2. The debtor, Bear Island, is a Virginia limited liability company that was organized in 1997 as a wholly-owned subsidiary of White Birch Paper Company ("White Birch"). Bear Island employs approximately 200 of White Birch's 1,300 employees and produces newsprint paper. Bear Island also operates a paper machine, woodyard, pulping system, recycling facility, an on-site waste and water treatment facility, an industrial landfill, and various storage and transportation facilities in and around Ashland, Virginia.

3. The defendant, Brant Industries, is a Delaware corporation based in Greenwich, Connecticut. Brant Industries is a party to a Management and Administrative Services Agreement dated April 5, 2008, with White Birch through which Brant Industries provides management services to White Birch and certain of its subsidiaries. A copy of that agreement is attached hereto as Exhibit 1 (the "Management Agreement").

II. Jurisdiction and Venue

4. This is a core proceeding and an adversary proceeding under 28 U.S.C. § 157(b)(2)(A), (B), (F), (H) and (O) and Rule 7001(1) of the Federal Rules of Bankruptcy Procedure.

5. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b) and 1334(b).

6. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

III. Factual Background

7. On February 24, 2010 (the "Petition Date"), Bear Island filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Pursuant to sections 1107 and 1108 of the Bankruptcy Code, Bear Island continues to operate its business and manage its property as a debtor in possession.

8. On the Petition Date, (i) White Birch Paper Holding Company; (ii) White Birch Paper Company ("White Birch"); (iii) Stadacona General Partner Inc.; (iv) Black Spruce Paper Inc.; (v) F.F. Soucy General Partner Inc.; (vi) 3120772 Nova Scotia Company; (vii) Arrimage de Gros Cacouna Inc.; (viii) Papier Masson Ltée; (ix) Stadacona Limited Partnership; (x) F.F. Soucy Limited Partnership; and (xi) F.F. Soucy, Inc. & Partners, Limited Partnership (collectively, the "WB Canadian Group") sought relief in the Québec Superior Court of Justice in Montréal, Québec, Canada.

9. Brant Industries provides to White Birch and its subsidiaries management and administrative services, including management of general operations, financial affairs, human resources, sales and marketing activities, and development activities; as well as administration of and assistance with White Birch's and its subsidiaries' investments, books and records, and audits. In consideration for these services, pursuant to the Management Agreement, White Birch agreed to pay management fees to Brant Industries.

IV. Causes of Action

Count I
Avoidance of Fraudulent Transfers Pursuant to 11 U.S.C. § 548(a)(1)(B)

10. The Committee incorporates by reference the allegations set forth in paragraphs 1 through 9 above, as if fully stated herein.

11. Under the terms of the Management Agreement, Bear Island has no express obligation to make payments to Brant Industries.

12. Within the two-year period prior to the Petition Date, Bear Island made the transfers to Brant Industries that are set forth in Exhibit 2, which total $9,345,264.10 (the "Two-Year Transfers"), purportedly in payment of management services provided to Brant Industries.

13. The Transfers each constitute a fraudulent conveyance because Bear Island was insolvent on the date of each such payment and did not receive reasonably equivalent value in exchange for each payment.

14. Among the Two-Year Transfers are three transfers Bear Island made on February 23, 2010, to Brant Industries at a time when Bear Island was insolvent and in exchange for which Bear Island did not receive reasonably equivalent value because the transfers were made on account of services rendered to the WB Canadian Group and not to Bear Island (the "February 23rd Transfers").

15. The February 23rd Transfers consist of the following:

(a) The transfer of $60,000.00 on February 23, 2010, to Brant Industries on behalf of F.F. Soucy Limited Partnership;

(b) The transfer of $200,000.00 on February 23, 2010, to Brant Industries on behalf of Papier Masson Ltée; and

(c) The transfer of $480,000.00 on February 23, 2010, to Brant Industries on behalf of Stadacona Limited Partnership.

16. The February 23rd Transfers each constitute a fraudulent conveyance because Bear Island was insolvent on the date of each such payment and did not receive reasonably equivalent value in exchange for each payment.

17. By reason of the foregoing, the Two-Year Transfers, including the February 23rd Transfers, are avoidable as fraudulent transfers pursuant to Bankruptcy Code § 548(a)(1)(B).

Count II
Avoidance of Preferential Transfers Pursuant to
11 U.S.C. § 547

18. The Committee incorporates by reference the allegations set forth in paragraphs 1 through 9 above, as if fully stated herein.

19. To the extent that Bear Island had a payment obligation to Brant Industries for services rendered to Bear Island, at all relevant times, Brant Industries was a creditor of Bear Island as defined by 11 U.S.C. § 101.

20. Brant Industries is an "insider" of Bear Island as that term is defined in section 101(31) of the Bankruptcy Code because, among other things, Brant Industries is either a person in control, an affiliate or an insider of an affiliate, or a managing agent of Bear Island.

21. Brant Industries also is an insider because its relationship with Bear Island is sufficiently close so as to subject the relationship to careful scrutiny and Brant Industries exercises sufficient authority over the debtor so as to unqualifiably dictate corporate policy and the disposition of corporate assets.

22. Between ninety days and one year prior to the Petition Date, Bear Island made transfers in a total amount of $2,771,158.20 (the "<u>One-Year Transfers</u>") by check, wire transfer, or their equivalent to Brant Industries as set forth in <u>Exhibit 3</u> to this Complaint.

23. To the extent that Bear Island had a payment obligation to Brant Industries for services rendered to Bear Island, the One-Year Transfers were in payment of antecedent debt owed to Brant Industries.

24. On or within the ninety-day period prior to the Petition Date, Bear Island made transfers amounting to $1,874,105.90 (the "<u>Ninety-Day Transfers</u>" and collectively with the

One-Year Transfers, the "Preferential Transfers") by check, wire transfer, or their equivalent to Brant Industries as set forth in Exhibit 4 to this Complaint.

25. To the extent that Bear Island had a payment obligation to Brant Industries for services rendered to Bear Island, the Ninety-Day Transfers were in payment of antecedent debt owed to Brant Industries.

26. Bear Island was insolvent when the Preferential Transfers were made.

27. The Preferential Transfers enabled Brant Industries to receive more than it would have received if Bear Island's case was filed under chapter 7 of the Bankruptcy Code, the Preferential Transfers had not been made, and Brant Industries had received payment of its claims to the extent provided by the provisions of title 11.

28. By reason of the foregoing, to the extent that Bear Island had a payment obligation to Brant Industries for services rendered to Bear Island, the Preferential Transfers are avoidable pursuant to Bankruptcy Code § 547(b).

Count III
Recovery of Avoidable Transfers Pursuant to 11 U.S.C. § 550(a)

29. The Committee incorporates by reference the allegations set forth in paragraphs 1 through 28 above, as if fully stated herein.

30. Upon information and belief, Brant Industries was either the initial transferee or the mediate transferee of the Two-Year Transfers, the February 23rd Transfers, and/or the Preferential Transfers (collectively, the "Payments"), the entity for whose benefit the Payments were made, or the beneficial transferee thereof.

31. By reason of the foregoing, the Payments are recoverable for the benefit of Bear Island's estate from Brant Industries pursuant to Bankruptcy Code § 550(a).

Count IV
Disallowance of Claims Pursuant to 11 U.S.C. § 502(d)

32. The Committee incorporates by reference the allegations set forth in paragraphs 1 through 31 above, as if fully stated herein.

33. Section 502(d) of the Bankruptcy Code provides, in relevant part, that the claim of any entity or transferee receiving a payment that is avoidable under section 547 or 548, shall be disallowed unless the entity or transferee turns over the payment or value of the payment, to the estate.

34. Brant Industries has neither paid nor surrendered to Bear Island the Payments, and therefore, any claim of Brant Industries must be disallowed pursuant to Bankruptcy Code section 502(d).

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V. Prayer for Relief

WHEREFORE, for the reasons set forth herein, the Committee respectfully requests that this Court enter judgment as requested herein and provide it such other and further relief as is appropriate.

Dated: October 7, 2011
Richmond, Virginia

HUNTON & WILLIAMS LLP

/s/ Jason W. Harbour
Benjamin C. Ackerly (VSB No. 09120)
Tyler P. Brown (VSB No. 28072)
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Counsel for the Official Committee of Unsecured Creditors

Exhibit 1

MANAGEMENT AND ADMINISTRATIVE SERVICES AGREEMENT

This MANAGEMENT AND ADMINISTRATIVE SERVICES AGREEMENT, dated as of April 8, 2005, is between BRANT INDUSTRIES, INC., a Delaware corporation ("Brant Industries"), and WHITE BIRCH PAPER COMPANY, a Nova Scotia unlimited liability company (the "Company").

WHEREAS, the Company will enter into this Agreement with Brant Industries to enable the Company and its subsidiaries to utilize the management and administrative expertise of Brant Industries in the conduct of the business of the Company and its subsidiaries and to enable Brant Industries to receive the payments from the Company provided for herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

MANAGEMENT AND ADMINISTRATIVE SERVICES

1.1 Scope of Assistance.

(a) Brant Industries is hereby engaged by the Company to assist the Company and its subsidiaries (which include companies, bodies corporate and partnerships controlled by the Company) in the provision of the services referred to herein with respect to those activities described in Sections 1.1.2 through 1.1.5 below.

(b) Without limiting the generality of the foregoing, except as contemplated in clauses (c) and (d) below, Brant Industries shall be responsible for the management and administrative items described below.

(c) Subject to clause (d) below, it is understood that nothing herein will prevent the Company or its subsidiaries from providing any of these services, itself or through other means; *provided* that the Company shall advise Brant Industries in writing seven days prior to providing any such services itself or through other means.

(d) In order to give effect to clauses (b) and (c) above, if for any reason the Company or any of its subsidiaries incurs any costs whatsoever directly or indirectly relating to the management and administrative activities described herein, including by choosing to provide any such services itself, Brant Industries shall reimburse the Company or such subsidiary for all such costs reasonably incurred by it in connection therewith, subject to the condition in clause (c) above.

1.1.2 Management, Sales and Marketing Services. During the term of this Agreement, Brant Industries shall provide the following management, sales and marketing services to the Company and its subsidiaries in Greenwich, Connecticut:

(a) management and supervision on both a short term and long term basis of general operations, including assistance and support in the planning of mill production and operations, the acquisition of major capital equipment, the negotiation of material contracts and other operations normally associated with the conduct of the type of business in which the Company and its subsidiaries are engaged;

(b) management of financial affairs, including treasury services, the arrangement of short term financing for the conduct of operations and long term financings, financial planning and budgeting, the management of funds, the establishment and the maintenance of bank relationships, bank accounts and depositories, the supervision of banking operations and other cash management functions and tax planning and compliance services; *provided* that Brant Industries shall maintain bank accounts separate from its own for funds received by reason of the performance of its services hereunder (other than with respect to fees, indemnities and expense reimbursement received hereunder) and shall not commingle its funds with any funds of the Company or its subsidiaries;

(c) assistance in the preparation of capital plans and operations budgets and benchmarking, including, without limitation, the budgets described in Section 1.4 and any related income and cash flow statements;

(d) management of the sales and marketing activities associated with the sales of products produced by the Company and its subsidiaries, including activities in connection with the warehousing and delivery of such products, including, but not limited to, the following:

(i) off-site warehousing;

(ii) the maintenance of the sales register of the Company and its subsidiaries and all other inventory and sales records and the maintenance of accounts receivable ledgers and the collection of accounts receivable (which collection of accounts receivable shall be delivered to relevant subsidiaries of the Company by Brant Industries within 48 hours of receipt by Brant Industries of such collection);

(iii) procedures for the shipment and delivery of products, including negotiation of major transportation rates;

(iv) procedures for the receipt, collection and processing of payments for products;

(v) approval and monitoring of credit extended to customers (*provided* that Stadacona L.P. will have responsibility for the Canadian aspects of credit and collection, including the granting of credit to customers and prompt collection of Canadian accounts receivable);

(vi) approval of final terms of sale; and

(vii) customer service, technical support and relation procedures and programs;

provided, however, title to the products produced by the Company and its subsidiaries shall remain with the Company or its subsidiaries, as applicable, until it passes to a customer upon shipment and Brant Industries shall not at any time obtain title to any such products. Brant Industries shall ensure that all sale documentation with respect to such products (including invoices) is in the name of the Company or the applicable subsidiary thereof. Any payments received by Brant Industries from any customers of the Company or its subsidiaries shall remain property of the Company or its subsidiaries, as the case may be, and shall be paid over to the Company or its subsidiaries, as the case may be, promptly after receipt thereof by Brant Industries.

(e) general, administrative and managerial operations, and activities relating to the development, manufacture, marketing, sale and distribution of products produced by the Company and its subsidiaries, including, but not limited to, the following:

(i) the organization of corporate divisions and departments, the preparation of organizational charts, the recruitment of executive employees and assistance in the recruitment of staff; and

(ii) the development and organization of internal operations, including export programs.

Brant Industries acknowledges that it will perform the services under this Section 1.1.2 solely as an agent for the Company and its subsidiaries, and that it does not have, and is not hereby granted, any ownership interest in any property or assets of the Company or any of its Subsidiaries (other than as a direct or indirect holder of equity interests in the Company and its subsidiaries), including any amounts collected on account of sales of the Company's and its subsidiaries' products.

1.1.3 <u>Administrative Services</u>. During the term of this Agreement, Brant Industries shall provide the following administrative services to the Company and its subsidiaries:

(a) the management of the Company's and its subsidiaries' investments;

(b) assistance in the administration of and record keeping relating to the Company's and its subsidiaries' plants and ground maintenance; and

(c) activities principally relating to the particular interests of the Company's securityholders, including, without limitation, assistance in the compliance with, and the preparation of information and reports required under, any note, indenture, credit agreement or other applicable agreement or instrument relating to securityholders generally to which the Company or any of its subsidiaries is bound or may be subject and the making of periodic and other filings as may be required under such agreements or instruments or applicable federal, provincial, state and local laws, rules and regulations, including without limitation, pursuant to the Sarbanes-Oxley Act of 2002 (to the extent applicable to the Company).

1.1.4 <u>Accounting Functions</u>. During the term of this Agreement, Brant Industries shall provide the following accounting functions to the Company and its subsidiaries:

(a) assistance in the maintenance of the books and records of the Company and its subsidiaries, including preparation of the monthly financial statements, reports above the level of mill reports, and the maintenance of other programs and procedures for financial and operational controls and reporting, including, without limitation, the development of internal accounting controls and procedures;

(b) assistance, supervision and coordination of all audits performed with respect to the affairs of the Company and its subsidiaries; and

(c) coordination with the Company's auditors in the preparation of consolidated audited financial statements and tax returns and any tax planning.

1.1.5 Human Resource Management. During the term of this Agreement, Brant Industries shall provide the following human resources services to the Company and its subsidiaries:

(a) the hiring, development, job-related training and compensation of management personnel;

(b) assistance in employee relations, including labor-management relations, collective bargaining and affirmative action programs; and

(c) the design of and assistance with the implementation of employee benefit plans.

1.2 Other Services. During the term of this Agreement, Brant Industries shall provide such other services reasonably requested by the Company similar to those described in Sections 1.1.2 through 1.1.5 above.

1.3 Level of Performance.

(a) Notwithstanding any other provision of this Agreement to the contrary, the obligations of Brant Industries hereunder shall be fulfilled if Brant Industries shall render services and devote its efforts hereunder in substantially the same manner and substantially to the same extent as would be expected of an unaffiliated third party providing such services for fair consideration;

(b) Brant Industries shall maintain a staff of professionals, administrative personnel and infrastructure in order to maximize its management and administrative efforts hereunder. Without limiting the generality of the foregoing, Brant Industries shall provide such technical and other services as any customer and prospective customer of the Company or its subsidiaries may from time to time reasonably require in connection with any of the products marketed hereunder.

1.4 Independent Contractor Status. The parties hereto acknowledge that in performing its obligations hereunder, Brant Industries shall be acting as an independent contractor. Notwithstanding the foregoing, the Board of Directors of the Company shall be responsible for the commercial success and profitability of the Company and its overall supervision and management, and Brant Industries shall not be responsible therefor.

1.5 Budgeting. On or before December 15 of each year, Brant Industries shall cause to be prepared a budget for the Company and for its business, taking into account the input provided by the management of the Company. Such budget shall specify all applicable categories of anticipated receipts and expenditures, including the costs of proposed capital improvements and any other additions for the account of the Company, and shall include reasonably itemized monthly estimates of cash receipts and expenditures, details of any proposed construction programs and capital appropriations, and estimates of production volumes, operating expenses and assets employed. Each such budget shall be submitted to the Company for review and approval, and, upon such approval, Brant Industries shall be authorized to render services hereunder on the basis of such budget. The Company shall approve the budget on or before December 30 of each year. Pending such approval, the budget as submitted shall thereafter be in effect. Brant Industries shall cause disbursements to be made in accordance with such budget to the extent that the Company has funds available for such purposes. Monthly reports of actual operations compared to budgeting projections shall be reported to the Company no later than thirty (30) days after the end of each month.

ARTICLE II

PAYMENTS

2.1 Payments Due.

(a) In consideration of the services to be performed by Brant Industries pursuant to this Agreement, the Company agrees to pay to Brant Industries a commission (the "Management Fee") equal to three percent (3.0%) (the "Management Fee Percentage") of the Company's Adjusted Revenues (as hereinafter defined) during the relevant period.

(b) For purposes herein, sales shall be determined based upon the later of when such sale is (i) invoiced or (ii) shipped to the customer.

2.2 Payment Dates. The Company shall make the payments provided for in Section 2.1 hereof not later than fifteen (15) days after the end of each calendar month. Interim payments may be made during a month based on the estimated sales for such month. All payments shall be made by transfer to a designated account of Brant Industries in U.S. dollars in immediately available funds and, unless required by law, free and clear of any deductions for income and other taxes, assessments or charges. Each payment shall be accompanied by interest from the date that such payment was due through to and including the date such payment was made at the rate of one percent (1%) per annum in excess of the rate of interest publicly announced from time to time by J.P. Morgan Chase Bank, N.A. as its prime rate (such rate, the "Prime Rate").

ARTICLE III

TERM AND TERMINATION

3.1 Term. Unless earlier terminated pursuant to Sections 3.2 or 3.3, this Agreement will have an initial term of ten (10) years and shall automatically be extended for consecutive five (5) year periods thereafter unless either Brant Industries or the Company, at least one (1) year in advance of the scheduled expiration (as extended) of this Agreement, notifies the other party in writing of its decision to terminate at the conclusion of the then-current term (as theretofore extended).

3.2 Termination.

(a) The Company may elect to terminate this Agreement under the circumstances specified below:

(i) if Brant Industries has failed substantially to comply with this Agreement and such failure has continued without cure for thirty (30) days following written notice thereof to Brant Industries; provided that such termination date shall be extended if Brant Industries shall contest such claimed failure until such time that a decision relating thereto shall have been rendered in arbitration pursuant to Section 3.3 below; or

(ii) if Brant Industries shall file a petition or answer or consent seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable Federal or state bankruptcy law or other similar law, or consent to the institution of proceedings thereunder or to the filing of any such petition or to the appointment or taking possession of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of all or a substantial part of its property, or if it fails generally to pay its debts as such debts become due, or if corporate action shall be taken by it for the purpose of effecting any of the foregoing; or

(iii) an order or decree shall be entered by any court of competent jurisdiction approving a petition for relief in respect of Brant Industries, or of all or a substantial part of its assets, or appointing a receiver, liquidator, assignee, trustee, custodian or sequestrator (or similar official) of all or a substantial part of its property, or ordering the winding-up or liquidation of its affairs, and such order or decree shall continue unstayed and in effect for any period of ninety (90) days; or

(iv) there is a sale of all or substantially all of the assets of the Company or Brant Industries or a direct or indirect change of control of Brant Industries or the Company, whether structured as a sale of stock or as a merger, consolidation or amalgamation (excluding, in each case, any transfer to Peter Brant or any of his respective heirs by operation of law or by will or a transfer to an entity controlled by Peter Brant or any of his respective heirs (each such person, a "Brant Entity"); provided that Peter Brant, his heirs or his wholly-owned affiliates will continue to directly or indirectly own and control securities, immediately following such transfer, representing not less than: (A) fifty percent (50%) of the voting and economic interests of Brant Industries, and (B) fifty-one percent (51%) of the voting and economic interests of the Company).

(b) Brant Industries may elect to terminate this Agreement under the circumstances specified below:

(i) if the Company has failed substantially to comply with this Agreement and such failure has continued without cure for thirty (30) days following written notice thereof to the Company; provided that such termination date shall be extended if the

Company shall contest such claimed failure until such time that a decision relating thereto shall have been rendered in arbitration pursuant to Section 3.3 below; or

(ii) if the Company shall file a petition or answer or consent seeking relief under any applicable bankruptcy law or other similar law, or consent to the institution or proceedings thereunder or to the filing of any such petition or to the appointment or taking possession of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of all or a substantial part of its property, or if it fails generally to pay its debts as such debts become due, or if corporate action shall be taken by it for the purpose of effecting any of the foregoing; or

(iii) an order or decree shall be entered by any court of competent jurisdiction approving a petition for relief in respect of the Company, or of all or a substantial part of its assets, or appointing a receiver, liquidator, assignee, trustee, custodian or sequestrator (or similar official) of all or a substantial part of its property, or ordering the winding-up or liquidation of its affairs, and such order or decree shall continue unstayed and in effect for any period of ninety (90) days; or

(iv) there is a direct or indirect change of control of the Company, whether structured as a sale of assets, sale of stock or as a merger, consolidation or amalgamation (other than as a result of a transfer contemplated by the parenthetical in Section 3.2(a)(iv)).

(c) If any of the events specified in paragraph (a) or (b) of this Section 3.2 shall occur and shall be excused or waived without this Agreement being terminated, this Agreement shall continue in full force and effect, and none of the parties shall be relieved of its obligations hereunder.

3.3 Termination by Arbitration. If either the Company or Brant Industries contests a claimed failure by the other to adequately perform its obligations under this Agreement, which may give rise to a termination right under Section 3.2, such dispute shall be resolved pursuant to the arbitration provisions of Section 6.3 hereof.

3.4 Effects of Termination.

(a) Any termination hereof shall not constitute a waiver by either party of any rights or recourse, including monetary damages, that it may have by reason of a violation hereof by the other party.

(b) Notwithstanding the provisions of Section 3.2 (including Section 3.2(a)(iv)), (i) the Company shall have the right to extend the effective date of termination for up to six (6) months beyond that otherwise provided herein, during which period Brant Industries shall continue to provide so much of the services described herein as the Company may reasonably require, all for such consideration as may be fair under the circumstances, (ii) Brant Industries shall transfer to the Company all information concerning the Company and its subsidiaries in its possession with respect to the services provided under this Agreement, (iii) Brant Industries shall permit the Company (or any successor) to hire such employees of Brant Industries who are directly or indirectly involved in any material respect (which, for the purposes hereof, shall be deemed to be an involvement requiring, substantially all of their time) in providing the services hereunder on behalf of the Company to the extent that the Company or such successor reasonably believes that their efforts are material to continuing management and administrative activities, and (iv) Brant Industries shall otherwise cooperate with the Company, as the Company shall reasonably request, in order to transfer management and administrative responsibilities to the Company or its designee.

ARTICLE IV

AUDITS

4.1 Periodic Reports.

(a) Brant Industries shall furnish to the Company at or before the time of each payment by the Company in accordance with Section 2.2 hereof, a written report, in form and substance reasonably satisfactory to the Company describing in reasonable detail the Company's Adjusted Revenues (including, if applicable, the component prices expressed in the currencies in which quoted and the computation of the Average Exchange Rates (as hereinafter defined) utilized) for the relevant month with respect to which a Management Fee is payable and the calculation of Management Fee.

(b) Within sixty (60) days following the end of each year Brant Industries shall provide the Company with a report setting forth the total Management Fee payable for such year together with detailed information as to the calculation thereof.

4.2 Subsequent Audit Rights.

(a) Within sixty (60) days of the receipt of a written report provided pursuant to Section 4.1(b) hereof, the Company may elect at its own expense to have an independent certified public accountant of recognized standing (the "Accountant"), reasonably acceptable to Brant Industries, review such written report and determine the accuracy thereof. The decision of the Accountant shall be final and conclusive on Brant Industries and the Company. The Accountant shall have access during ordinary business hours to such personnel and such records as may be necessary to make the determination referred to in the preceding sentence. All parties to this Agreement shall fully cooperate with the Accountant.

(b) Each of Brant Industries and the Company shall permit the lenders (including agents) of the Company and their affiliates and advisors, to the extent permitted in the underlying loan documents, the right to have reasonable access during ordinary business hours to such records of Brant Industries and the Company as may be reasonably necessary to assess the performance of each party under this Agreement, including whether the Management Fee has been accurately calculated, not to exceed one visit per calendar quarter. Each such person requesting such access may be required by the Company or Brant Industries to agree to reasonable customary confidentiality obligations prior to access.

4.3 Books and Records. Brant Industries shall keep true and accurate records, files and books of account of its own activities and those of the Company and its subsidiaries (other than those the parties agree shall be kept exclusively by the Company) containing all the data reasonably required for the full computation and verification of the Management Fees to be paid pursuant to this Agreement.

ARTICLE V

DEFINITIONS

In this Agreement, unless otherwise specifically set forth, the following terms shall have the following meanings:

"Adjusted Revenue" shall mean, with respect to any person, for the applicable period, the consolidated gross sales of such person less any returns, offsets, setbacks or discounts, in each case, calculated in accordance with U.S. GAAP; provided that any sales and/or returns, offsets, setbacks or discounts in non-U.S. dollars shall be converted into U.S. dollars by applying the Average Exchange Rate in effect at the time of such sale.

"Average Exchange Rate" with respect to any conversion of any currency shall be determined by averaging the median of the noon buying rate in New York City for cable transfers in foreign currencies for customs purposes by the Federal Reserve Bank of New York for such currency for each day of the month in which such conversion occurs.

ARTICLE VI

MISCELLANEOUS

6.1 Indemnification.

(a) The Company agrees to indemnify, to defend and to save harmless Brant Industries, and its officers, directors, employees, agents and stockholders, from and against any claims, settlements, damages, losses or expenses (including reasonable fees and expenses of counsel incurred in defending any third-party claims or actions) and all liability for the payment of any judgment asserted, arising or accruing at any time against any of them relating to this Agreement or any contract or purchase order relating thereto or between any third party and the Company, including, without limitation, any product liability or product warranty claim (each, a "Claim"), unless such Claim arises due to the acts or omissions or bad faith of Brant Industries. Without limiting the foregoing, the Company agrees to pay on demand all costs and expenses, including legal and collection fees, incurred by Brant Industries and its officers, directors, employers, agents and stockholders, in enforcing any rights under this Section 6.1 or in collecting any amounts owed under this Agreement (unless such costs, expenses or collections are the result of any Claim arising due to the acts or omissions or bad faith of Brant Industries), together with interest on all such costs and expenses at the Prime Rate from the date paid to the date payment is received.

(b) Brant Industries agrees to indemnify, to defend and to save harmless the Company and its subsidiaries and each of their respective officers, directors, employees, agents and stockholders, from and against any claims, settlements, damages, losses or expenses (including reasonable fees and expenses of counsel incurred in defending any third-party claims or actions) and all liability for the payment of any judgment asserted, arising or accruing at any time against it relating to this Agreement or any contract or purchase order relating thereto or between any third party and Brant Industries (each, a "Company Claim"), unless such Company Claim arises due to the acts or omissions or bad faith of the Company. Without limiting the foregoing, Brant Industries agrees to pay on demand all costs and expenses, including legal and collection fees, incurred by the Company and its subsidiaries and each of their respective officers, directors, employers, agents and stockholders, in enforcing any rights under this Section 6.1(b) or in collecting any amounts owed under this Agreement (unless such costs, expenses or collections are the result of any Company Claim arising due to the acts or omissions or bad faith of the Company), together with interest on all such costs and expenses at the Prime Rate from the date paid to the date payment is received.

6.2 Notices. Any notice or other communication required or permitted to be given to any party pursuant to this Agreement shall be sufficiently given if sent to such party by registered mail, return receipt requested, postage prepaid, addressed to it at its address set forth below (or at such other address as it shall designate by written notice given to the other party) or by telefax or telegraphic service, with confirmation of such telefax or telegram by registered mail. The date any notice or other communication shall be deemed to be given and effective shall be the date of its actual receipt by the recipient.

In the case of a notice or other communication to Brant Industries:

Brant Industries, Inc.
80 Field Point Road
Greenwich, CT 06830
U.S.A.

In case of a notice or other communication to the Company:

White Birch Paper Company
10 Boulevard Des Capucins
Quebec City, Quebec G1J 3R4
Canada

6.3 Arbitration. All disputes and controversies arising out of or relating to this Agreement shall be submitted to arbitration under the rules of the American Arbitration Association, and it is understood by the parties that arbitration shall be the sole remedy of each party against the other except as provided in Section 6.1(c) hereof. Any award or decision made in such arbitration shall be final and binding upon the parties, and judgment thereon may be entered in any court having jurisdiction. Arbitration shall take place in New York, New York unless agreed to otherwise.

6.4 Force Majeure. The parties shall not be responsible to each other for failure or delay in performing any of their separate obligations under this Agreement, other than the obligation to make money payments, if such delay or nonperformance is caused by strike, stoppage of labor, lockout or other labor trouble, fire, flood, accident, act of God or of any governmental authority or of the public enemy or by any cause unavoidable or beyond the reasonable control of any party.

6.5 Modification. This Agreement constitutes the entire understanding among the parties with respect to the subject matter hereof, and no modification or amendment hereof shall be valid or binding upon the parties unless made in writing and duly executed on behalf of each of the parties. No waiver by any party of any right under this Agreement shall be effective unless contained in a written instrument executed by such party.

6.6 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assignees. The rights and obligations of each party to this Agreement shall not be assignable without the prior written consent of the other party, except that without such consent (a) the Company may assign this Agreement to any creditor of the Company, (b) Brant Industries may assign this Agreement to any Brant Entity; provided that such Brant Entity shall have entered into an Acknowledgment and Agreement substantially in the form of Exhibit I hereto, and (c) any party may assign this Agreement to any successor in the event of a merger, amalgamation, consolidation or sale of all or substantially all its assets, if, in any such case, such assignee executes and delivers to the other party an agreement reasonably satisfactory in form and substance to such other party under which such assignee assumes and agrees to perform and discharge all the obligations and liabilities of the assigning party. Any assignment permitted by this Section 6.6 shall relieve the assigning party of its prospective obligations hereunder; provided that such assignment shall not relieve the assigning party of any obligations arising prior to such assignment.

6.7 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties shall endeavor in good faith negotiations to replace any prohibited or unenforceable provision with a valid provision or provisions the economic effect of which shall reflect the economic bargain reflected in the prohibited or unenforceable provision.

6.8 Headings and Counterparts. The article and section headings are placed herein merely as a matter of convenience and are not to be construed as a part of this Agreement. This Agreement may be executed in counterparts, each of which shall be deemed an original.

6.9 Governing Law. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and fully to be performed in such state. EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY ACTION RELATED TO OR ARISING OUT OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

BRANT INDUSTRIES, INC.

By: ______________________
Name:
Title:

WHITE BIRCH PAPER COMPANY, on behalf of itself and its subsidiaries

By: ______________________
Name:
Title:

EXHIBIT 2

Debtor	Transferee	Payment Date	Amount Paid
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	3/5/2008	$350,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	4/3/2008	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	5/7/2008	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	6/2/2008	$500,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	6/25/2008	$350,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	7/9/2008	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	8/26/2008	$400,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	9/2/2008	$300,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	9/16/2008	$100,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	10/27/2008	$700,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	11/13/2008	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	12/19/2008	$600,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	1/12/2009	$100,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	1/23/2009	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/4/2009	$100,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/10/2009	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/25/2009	$300,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	3/25/2009	$225,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	4/20/2009	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	4/30/2009	$49,268.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	5/1/2009	$100,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	6/10/2009	$250,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	6/25/2009	$14,979.30
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	7/8/2009	$100,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	9/8/2009	$550,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	9/17/2009	$44,880.90
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	10/1/2009	$550,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	10/14/2009	$124,402.50
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	10/28/2009	$124,402.50
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	11/13/2009	$138,225.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	11/27/2009	$138,225.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	12/14/2009	$278,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	12/28/2009	$148,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	12/31/2009	$44,880.90
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	1/14/2010	$148,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	1/28/2010	$148,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/16/2010	$148,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/23/2010	$80,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/23/2010	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/23/2010	$60,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/23/2010	$480,000.00
Total			**$9,345,264.10**

EXHIBIT 3

Debtor	**Transferee**	**Payment Date**	**Amount Paid**
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/25/2009	$300,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	3/25/2009	$225,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	4/20/2009	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	4/30/2009	$49,268.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	5/1/2009	$100,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	6/10/2009	$250,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	6/25/2009	$14,979.30
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	7/8/2009	$100,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	9/8/2009	$550,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	9/17/2009	$44,880.90
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	10/1/2009	$550,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	10/14/2009	$124,402.50
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	10/28/2009	$124,402.50
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	11/13/2009	$138,225.00
Total			**$2,771,158.20**

EXHIBIT 4

Debtor	Transferee	Payment Date	Amount Paid
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	11/27/2009	$138,225.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	12/14/2009	$278,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	12/28/2009	$148,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	12/31/2009	$44,880.90
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	1/14/2010	$148,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	1/28/2010	$148,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/16/2010	$148,200.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/23/2010	$80,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/23/2010	$200,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/23/2010	$60,000.00
Bear Island Paper Company, L.L.C.	Brant Industries, Inc.	2/23/2010	$480,000.00
Total			**$1,874,105.90**