NO: 500-11-038474-108

COUR SUPÉRIEURE
(Chambre commerciale)
Loi sur les arrangements avec les créanciers des compagnies

DISTRICT DE MONTRÉAL

DANS L'AFFAIRE DU PLAN DE TRANSACTION OU D'ARRANGEMENT :

WHITE BIRCH PAPER HOLDING COMPANY ET ALS

Débitrices (Intimées)

-et-

ERNST & YOUNG INC.

Contrôleur (Intimée)

-et-

STADACONA LIMITED PARTNERSHIP ET ALS

Mises en cause

-et-

B.D. WHITE BIRCH INVESTMENTS LLC

Mise en cause

-et-

SERVICE D'IMPARTITION INDUSTRIEL INC.

Requérante

Pièce SM-1A
(*Addendum to the Report of the Monitor dated August 10, 2010*, daté du 20 août 2010)

COPIE : ORIGINAL

BO-0042 # 01014931 0010
Me Louis J. Gouin
OGILVY RENAULT S.E.N.C.R.L., s.r.l.
AVOCATS
Bureau 2500, 1, Place Ville Marie
Montréal (Québec) H3B 1R1 CANADA
Téléphone: 514-847-4425 / Télécopie: 514-286-5474

ERNST & YOUNG

Ernst & Young Inc.
800, boul. René-Lévesque Ouest
Bureau 1900
Montréal, Québec H3B 1X9
Tél/Tel: 514 875 6060
Téléc/Fax: 514 879 2600
ey.com/ca

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11-038474-108

S U P E R I O R   C O U R T
Commercial Division
Designated tribunal under the
Companies' Creditors Arrangement Act[1]

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE AND ARRANGEMENT OF WHITE BIRCH PAPER HOLDING COMPANY AND VARIOUS SUBSIDIARIES AND AFFILIATES[2]

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

ADDENDUM TO THE REPORT OF THE MONITOR DATED AUGUST 10, 2010
(August 20, 2010)

1. Ernst & Young Inc. ("**EYI**" or "**Monitor**"), in its capacity as the monitor appointed by the Court in the matter of the proposed plan of compromise and arrangement of White Birch Paper Holding Company ("**White Birch**") and various of its affiliates, filed a report with this Honourable Court on August 10, 2010, which report addresses the Applicants' Motion to approve a stalking horse bidder, to approve an asset sale agreement, to approve bidding procedures for the sale of substantially all of WB Group's assets and to schedule an auction and sale hearing ("**Motion**").

2. The present addendum should be read in conjunction with our aforementioned report to the Court, in the context of this report, and subject to the same qualifications as those outlined therein, in particular (but without limitation) the reserves and qualifications referred to in paragraph 7 of the said report. Terms not otherwise defined herein shall have the meaning ascribed to them in the said report.

3. The present addendum is intended to provide the Court with updated information as a result of modifications made to the proposed asset sale agreement ("**ASA**") by the Companies and BDWBI.

4. On August 20, 2010, the Monitor was informed that the Companies and BDWBI had agreed to modify the ASA as follows:

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

[2] The entities subject to the Initial Order are White Birch Paper Holding Company, White Birch Paper Company, Stadacona General Partner Inc., Black Spruce Paper Inc., F.F. Soucy General Partner Inc., 3120772 Nova Scotia Company, Arrimage De Gros Cacouna Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership, and F.F. Soucy, Inc. & Partners, Limited Partnership.

4.1. To provide that the maximum expense reimbursement will be $3 million;

4.2. To provide that the break-up fee will be limited to $2 million;

4.3. To modify the timeline for the upcoming next steps in the sale process, such that the deadline to submit an offer to qualify to participate in the auction will be 5:00 p.m. on September 3, 2010, the auction will be held at 1:00 p.m. on September 7, 2010, and the deadline to obtain an order approving the sale is September 15, 2010.

5. The Monitor views these changes very favourably. The modifications relating to the expense reimbursement and break-up fee alleviate the concerns the Monitor had expressed regarding the quantum of the break-up fee and expense reimbursement. Based on the changes accepted by BDWBI, the Monitor believes the compensation arrangements are substantially consistent with the type of compensation approved in similar transactions in Canada, and should not have a "chilling effect" to the formulation of offers by other prospective purchasers at the auction.

6. The Monitor had expressed other concerns regarding the proposed transaction, in particular with regards to the level of execution risk associated with the ASA and the allocation of the purchase price. The Monitor believes that it is impossible to have a transaction that is entirely devoid of any execution risk, and as such the Monitor believes it is preferable to continue with a transaction that has execution risk but some probability of completion, rather than having the certainty of a discontinued transaction. Furthermore, the Monitor believes that the issue of the allocation of the purchase price is largely academic unless the purchase price increases as a result of the auction, and as a consequence the Monitor believes this issue can be addressed at a later date, if and when it becomes relevant. The Monitor considers that in any event, these issues can be reviewed at the sale hearing if need be. In view of the foregoing, the Monitor recommends that the Court approve the designation of BDWBI as the stalking horse bidder and approve the adjusted ASA.

7. The Monitor is aware that some stakeholders have expressed reservations or have formulated contestations of the Companies' Motion. The comments herein do not address the contestations or reservations made by these parties, but are limited to the issues raised in the Monitor's report dated August 10, 2010.

All of which is respectfully submitted this 20th day of August 2010.

ERNST & YOUNG INC.
In its capacity as the monitor appointed by the Court
in the matter of the proposed compromise and
arrangement of White Birch Paper Holding Company *et al.*

Per: Martin P. Rosenthal, CA, CIRP
Senior Vice-President

Per: Jean-Daniel Breton, CA, CIRP
Senior Vice-President