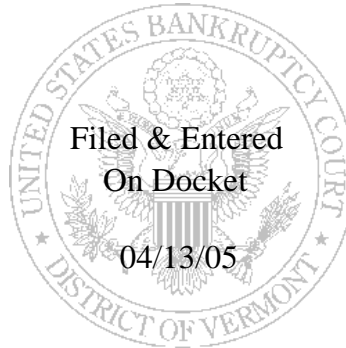


UNITED STATES BANKRUPTCY COURT
DISTRICT OF VERMONT

In re:

**FiberMark, Inc.,
FiberMark North America, Inc., and
FiberMark International Holdings, LLC,
Debtors.**



**Chapter 11 Cases
Jointly Administered
04-10463**

ORDER

**DENYING COMMITTEE MEMBERS' REQUEST FOR JUDICIAL MEDIATION OF
CLAIMS TRADING ISSUES THAT HAVE AGGRAVATED INTERCREDITOR
DISPUTE AND HALTED PLAN CONFIRMATION PROCESS**

On April 4, 2005, AIG Global Investment Corp. ("AIG") and Post Advisory Group, L.L.C. ("Post" and collectively with AIG, the "Objecting Committee Members") filed a redacted version of their Joint Objection to Debtors' Motion to Bar Committee Investigation of Claims Trading by Silver Point Capital, L.P. ("Silver Point") (doc. # 1375) (the "AIG and Post Objection"). In the AIG and Post Objection, the Objecting Committee Members suggest that the confirmation of a consensual plan may be best achieved if the Court orders the parties to court-supervised mediation in Vermont (*Id.* at p. 15). The Objecting Committee Members claim that although they have serious reservations about being investors in the reorganized Debtors if the company is controlled by Silver Point, they are still prepared to consider supporting a plan similar to the Original Proposed Plan¹ so long as reasonable protections for minority shareholders are included (*Id.*). These so-called "protections" are the root of the intercreditor dispute that has blossomed into finger-pointing allegations among the members of the Committee that encompass both violations of the Trading Order and breaches of fiduciary duties.

The background of the dispute is set forth at length as the "Circumstances and Allegations Giving Rise to the Present Stalemate" and the "Procedural Response to the Allegations" in this Court's Order Denying Debtors' Motion for Order Establishing Expedited Procedures for, and Safeguarding Estate Resources Sought to be Used in Connection with, Resolving Claims Trading Issues that have Aggravated Intercreditor Dispute and Halted Plan Confirmation Process issued of even date (doc. # 1403) (the "Procedure Order"). Consequently, the Court will not reiterate the circumstances and procedural status here.

¹ All capitalized terms herein have the same meaning as set forth in the Procedure Order.

RULING


The Court finds the Objecting Committee Members' request for court ordered mediation, or mediation by the only judge of this Court, presents significant issues of procedural integrity. If there is another equally viable alternative, the Court is not inclined to authorize or engage in this sort of mediation. The Bankruptcy Court for the Northern District of Illinois has astutely observed that when Congress enacted the Bankruptcy Code in 1978, Congress made clear its intent to remove bankruptcy judges from the administration of bankruptcy cases in order to achieve and preserve impartiality. In re UNR Industries, Inc., 72 B.R. 789, 793 (Bankr. N.D. Ill. 1987). If this Court were to order the Parties to mediation with the goal of bringing the Objecting Committee Members and the remaining Parties to an agreement on the terms of a plan, it would be injecting itself into the heart of the dispute that derailed the Original Proposed Plan process and is the essence of the Allegations currently pending before the Court. The Court finds this would greatly jeopardize the Court's role as impartial arbiter of core legal disputes and declines to intervene in any aspect of mediation of this dispute. Further, the record in this case reflects that the Parties are at an absolute impasse and until the Allegations are thoroughly investigated, it seems inevitable that mediation would have little chance of success and would be a waste of precious time and resources.

Although mediation has an important place in our legal system and is very often the most sound and productive means for resolving complex disagreements, the Court is persuaded that under the circumstances presented here, and the urgent need for an objective investigation of many serious and conflicting assertions, court ordered or court supervised mediation is not in the best interest of the estate or creditors. The goal is to resume the confirmation process and move these Debtors out of bankruptcy. With that goal in mind, it is this Court's determination that mediation would not be as effective, expeditious or comprehensive as an investigation of the Allegations by an independent third party.

For these reasons, IT IS HEREBY ORDERED that the request for judicial mediation in the AIG and Post Objection is DENIED without prejudice to their right to renew the request at some future date if and when the circumstances are changed.

SO ORDERED.

April 13, 2005
Rutland, Vermont



Colleen A. Brown
United States Bankruptcy Judge