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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11038474-108

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

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

REPORT OF THE MONITOR – JULY 7, 2010

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a Motion made by White Birch Paper Holding Company ("**White Birch**") and various of its affiliates (collectively referred to as the "**Applicants**"), the Superior Court of the Province of Québec for the District of Montréal ("**Court**"), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**")[1] issued an order ("**Initial Order**") declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. ("**EYI**" or "**Monitor**") as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest ("**Partnerships**") (the Applicants and the Partnerships are hereinafter referred to collectively as "**WB Canada**")[2]. The Initial Order has since been extended and is scheduled to expire July 12, 2010.

2. Also on February 24, 2010, Bear Island Paper Company, LLC ("**Bear Island**"), a subsidiary of White Birch with activities in the U.S., commenced a case under the provisions of Chapter 11 of the U.S. *Bankruptcy Code*[3] (the "**Code**") (Bear Island and WB Canada are hereinafter referred to collectively as "**WB Group**" or "**Companies**"). The information regarding the

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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.

[3] *U.S. Code,* title 11, chapter 11.

proceedings initiated by Bear Island under the Code, together with the "first day orders" made by the Bankruptcy Court for the Eastern District of Virginia, Richmond Division ("**US Court**") at the request of Bear Island, can be found on the website of the claims agent retained by Bear Island, Garden City Group, Inc., at www.gardencitygroup.com/cases/bip.

3. Also on February 24, 2010, some of the entities within WB Canada[4] applied for relief under the provisions of Chapter 15 of the Code. On February 26, 2010, the U.S. Court issued a temporary restraining order under the provisions of Chapter 15 of the Code, and on March 5, 2010, it granted a preliminary injunction, pending a fuller hearing to be held on March 22, 2010. At the hearing held on March 22, 2010, the U.S. Court granted recognition of the Canadian proceedings under the CCAA as foreign main proceedings, recognised White Birch Paper Company as the duly appointed foreign representative, declared that all of the provisions of section 1520 of the Code apply to the proceedings initiated by some of the entities within WB Canada, and gave full force and effect to the Initial Order[5] in the U.S., provided that the Initial Order[5] is not revoked, terminated or expired.

4. The orders granted by this Court and by the U.S. Court (collectively, the "**Courts**"), together with the relief provided under the CCAA and the Code[6] (collectively the "**Orders**") provide, among other things, for a stay of proceedings against the entities comprising WB Group while they prepare a restructuring plan.

5. The Initial Order is scheduled to expire on July 12, 2010, and the Applicants have indicated their intention to seek an extension of the Initial Order, until October 12, 2010.

6. The present report is intended to provide the Court with information relevant to the motion for an extension of the Initial Order, and more particularly on the current activities of WB Group and the progress of its restructuring efforts. This report is presented under the following headings:

    6.1. Introduction and background;

    6.2. Terms of reference and disclaimer;

    6.3. Status of Proceedings;

    6.4. Claims process;

    6.5. Current activities; and

    6.6. Conclusions and recommendations.

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[4] The entities which requested relief under Chapter 15 of the Code are White Birch Paper Company, Stadacona General Partner Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership, and F.F. Soucy, Inc. & Partners, Limited Partnership.

[5] As amended, modified or extended from time to time by the Court.

[6] Sections §361 and §362 of the U.S. *Bankruptcy Code*.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this report, EYI has relied upon unaudited financial information, company records, company prepared financial information and projections, discussions with management and employees of WB Group, and information from various other sources.

   While we reviewed various documents and believe that the information therein provides a fair summary of the transactions as presented to us or as reflected in the documents presented to us, such work does not constitute an audit or verification of such information for accuracy, completeness, or compliance with generally accepted accounting principles. Accordingly, EYI expresses no opinion or other form of assurance in respect of such information.

   Some of the information used in preparing this report consists of financial projections. We caution the reader that these projections are based upon assumptions about future events and conditions that are not ascertainable, and that the actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.

   In the course of our mandate, we have assumed the integrity and truthfulness of the information and explanations presented to us, within the context in which it was presented. To date, nothing has come to our attention which would cause us to question the reasonableness of this assumption.

   Finally, we have requested that management bring to our attention any significant matters which were not addressed in the course of our specific inquiries. Accordingly, this report is based solely on the information (financial or otherwise) made available to us.

   This report has been prepared for the use of this Court and WB Group's stakeholders as general information relating to the entities comprising WB Group and their operations. Accordingly, the reader is cautioned that this report may not be appropriate for any other purpose. We will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

8. Terms not otherwise defined herein shall have the meaning ascribed to them in the Initial Order, or in previous reports of the Monitor, as the case may be.

STATUS OF PROCEEDINGS

9. The Monitor's report dated March 25, 2009 outlined a series of milestones, set out as conditions to the Interim Financing Credit Agreement[7] and designed to ensure that the process leading to the formulation of a plan and its presentation to the creditors for approval runs swiftly.

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[7] As defined in the Initial Order.

10. The milestones provide for parallel processes, the first being the development and presentation of a plan of reorganization, and the second being a sale of the business as a whole. These processes were intended to proceed concurrently, although an increased emphasis has to be placed on the sale process if a settlement with the creditors is not achieved within the required delays.

11. The timeline set out in the Interim Financing Credit Agreement provides that the WB Group must have negotiated an agreement in principle and have a lock up and plan support agreement in place by June 15, 2010 with the First Term Loan[8] lenders, and have filed a reorganization plan by June 30, 2010, otherwise the focus would have to turn towards achieving the reorganization through a sale of the business.

12. Discussions were held between the senior management of the Companies and representatives of Black Diamond Commercial Finance LLC ("**Black Diamond**"), regarding the possibility of filing a plan of reorganization and the general parameters of such a plan. Black Diamond is the syndication agent and co-lead arranger under the Interim Financing. We were informed that Black Diamond is one of the principal lenders under both the Interim Financing Credit Agreement and the First Term Loan, and that Black Diamond, together with other lenders, has an effective right of veto amongst the First Term Loan lenders.

13. The Monitor participated in the preparation of these meetings between the Companies' senior management, Black Diamond and their advisors. However at the request of Black Diamond, the Monitor was not invited to participate in these meetings.

14. The Companies' senior management reported to the Monitor that they were informed by Black Diamond that it had no interest in exploring a restructuring plan at this time. That information is consistent with the information relayed to the Monitor by Black Diamond and its solicitors, in that Black Diamond does not exclude the possibility of a restructuring plan at some point in time, but that for the present, it prefers to explore the sale alternative. As a result, the efforts of the WB Group have been focused on the sale process.

15. The main objective of the CCAA is to assist insolvent companies in developing and seeking approval of compromises and arrangements with their creditors, and thus finding a way out of financial difficulties short of bankruptcy, foreclosure or the seizure of assets through receivership proceedings[9].

16. The Monitor believes that a sale of the business can be a way to achieve a successful restructuring of the business, if it allows for the fulfilment of the objectives of the CCAA, provided that the values achieved are reasonable in the circumstances and that the sale will benefit creditors and will not frustrate their rights. As such, the Monitor supports the current process of exploring a sale of the business as a going concern.

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[8] As defined in the report of the Monitor dated February 23, 2010, paragraph 31.

[9] Houlden, Morawetz & Sarra, online version, section N§2.

17. With regards to the sale process, this has been initiated and is continuing. The process is managed by Lazard Frères & Co LLC ("**Lazard**"), and the Monitor is being kept apprised of the progress.

18. To date, in accordance with the milestones established in the Interim Financing Credit Agreement with respect to the sale process, WB Group has obtained the approval of the Courts of a sale and investor solicitation process ("**SISP**") and has contacted over 50 prospective purchasers, chosen both from strategic prospects (competitors or entities in the same industry) and financial investment entities. WB Group, through Lazard, has been in communication with the prospective purchasers to obtain the execution of a confidentiality agreement and to provide information on the Companies and their operations.

19. WB Group, through Lazard, has received several non binding letters of intention, and has notified several prospective purchasers that they have been selected as Phase 2 Qualified Bidders (as defined in the SISP). WB Group is now meeting with the prospective purchasers to provide them with additional information on the Companies and their operations, and the remaining prospective purchasers are expected to submit a firm offer by July 15, 2010.

20. Specific information on the Phase 2 Qualified Bidders and on the contents of the non binding letters of interest cannot be disclosed at this time, for fear that this could affect the discussions with the prospective purchasers. The Monitor is being kept informed of the developments as they arise.

21. The future steps in the sale process would involve receiving firm offers by July 15, 2010; selecting a prospect that is thought to offer the more advantageous transaction ("**Stalking Horse Bidder**"); executing an asset purchase agreement with the Stalking Horse Bidder by August 2, 2010; seeking approval from the Courts of the proposed transaction by August 16, 2010, under reserve of a higher or better offer at the auction process; conducting the auction with any other prospective purchaser by August 23, 2010 with, as a minimum, the same terms as those indicated in the asset purchase agreement with the Stalking Horse Bidder; seeking approval from the Courts of the sale transaction by August 26, 2010; and executing a sale agreement by mid to late September 2010.

22. Based on the due diligence requests that have been made by prospective purchasers and the complexity of the contemplated transaction, the Monitor considers that the timeline is very tight and may be difficult to meet. WB Group has indicated that in its view, additional time may be required to complete the transaction.

CLAIMS PROCESS

23. In accordance with the provisions of the order made by the Court on May 6, 2010 ("**Claims Process Order**"), the Monitor mailed a notice and a claims package to all known creditors of WB Canada, on or about May 14, 2010. The Monitor also arranged for the publication of a notice in La Presse, The Gazette and the National Post on May 15, 2010 and in Le Soleil on May 19, 2010.

24. The Claims Process Order sets the claims bar date as June 21, 2010 at 5:00 p.m. local Montreal time.

25. As of the date of this report, the Monitor had received 919 claims from creditors, totalling $912.8 million. A process has been put in place to review and reconcile claims with representatives of WB Canada, and this process is on-going.

CURRENT ACTIVITIES

26. The Monitor prepared reports to the Court, dated March 17 and March 25, 2010, that address the current activities of the WB Group. The matters discussed in the said reports are still relevant, and will not be repeated herein. The present report only addresses matters that have changed since the report dated March 25, 2010.

Cash flow results/Interim Financing

27. To date, WB Group borrowed US$118 million against the delayed draw term loan. A further amount of US$4 million is still expected to be drawn in the near term, which would bring the drawings to the maximum available amount (US$140 million, less reserves and carved out amounts totalling US$18 million).

28. The drawings are slightly delayed as compared with the cash flow projections that were prepared for the WB Group for the 17 week period ending July 9, 2010, which were filed in support of the motion for an extension of the Initial Order, in March 2010. For ease of reference, the cash flow projections for the 17 week period ending July 9, 2010 are attached hereto as Appendix A.

29. WB Group and its advisors prepared a comparison of the actual and projected results, for the 15 weeks ended June 25, 2010, annexed to this report as Appendix B. The Monitor reviewed this comparison with management, and as a result of this review, the Monitor has no reason to doubt the reasonableness of the explanations provided for the variances. As of the date of drafting this report, the comparison of results for the 16 weeks ended July 2, 2010 was being prepared, but was not yet available.

30. Essentially, the comparison of actual and projected results for the 15 weeks ended June 25, 2010 indicates that while the projections contemplated a negative cash flow of US$68.8 million for the 15 week period, the actual results yielded a negative cash flow of US$19.4 million, or a favourable variance of US$49.3 million. The variance is attributed primarily to the following:

    30.1. Higher than projected collection of accounts receivable, by approximately US$27.5 million. The projections contemplated a temporary slowdown in collections as a result of the uncertainty surrounding the restructuring process, which does not appear to have occurred, and the accounts receivable collection were projected conservatively.

The accounts receivable were projected to be US$111.7 million as at June 25, 2010, and they are reported to amount to US$89.4 million as at that date, i.e. US$22.3 million below the projections. The fact that the collections are higher than projected by US$27.5 million and that the difference between actual and budgeted accounts receivable is lower than this amount suggests that the sales exceeded the projections.

30.2. Lower than projected disbursements, by approximately US$21.8 million. This variance is attributable in part to a timing variance, as the Companies' purchases and payment patterns are slightly different from the projections.

The inventories were projected to be US$62.4 million as at June 25, 2010, and they are reported to amount to US$70.6 million as at that date, i.e. US$8.2 million over the projections. We do not have current information on the accounts payable on a week by week basis, but in view of the proceedings under the CCAA and the Code, we would expect these to remain fairly stable. If this assumption is correct, the fact that the disbursements are lower than projected by US$21.8 million and that the difference does not translate into lower inventories as compared to the budgeted amount suggests that the costs were lower than projected.

31. In view of the favourable variance in results as compared with the projections prepared by WB Group concurrently with the latest motion for an extension of the Initial Order (Appendix A), and the fact that additional draws totalling US$25 million were made, WB Group's cash on hand currently stands at approximately US$67 million, as at June 25, 2010. This represents a net increase in cash on hand of US$5.6 million as compared with the cash on hand as at March 12, 2010, and a favourable variance of US$45.3 million as compared with the projected level.

32. The comparison of actual and projected results (Appendix B) also presents data compiled to isolate the results of WB Canada. The results for WB Canada indicate a favourable variance of US$26.1 million in receipts, and a favourable variance of US$10.3 million in disbursements, for a net favourable variance of US$36.4 million in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 30.

33. Based on the changes in cash, accounts receivable, inventories and Interim Financing amount drawn, and assuming that the accounts payable remain stable during the pendency of the proceedings under the CCAA and the Code, the Monitor estimates that the financial position of the WB Group has deteriorated during the period from March 12 to June 25, 2010, although the Monitor considers that this deterioration is slight, and is not significantly different from that which was expected in the projections. The analysis of the changes in position, based on the available information[10], is as follows:

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[10] The information is necessarily incomplete, as it does not take into consideration all of the elements of changes in financial position, such as the change in accounts payable and prepaid expenses, among others.

	in thousands of US$		
	12-Mar-10	25-Jun-10	Net change
Cash / Bank indebtedness	(31,512)	(50,943)	(19,431)
Accounts receivable	88,587	89,375	788
Inventories	69,037	70,594	1,557
Estimated net improvement (deterioration) for the period			(17,086)

The internally prepared financial statements of WB Group for the months of March, April and May 2010[11] indicate that during these 3 months, the net loss from operations totalled US$26.2 million, of which US$15.8 million represents depreciation and amortization. This would suggest a theoretical deterioration[12] of approximately US$10.4 million over a 3 month period.

The Monitor considers that a theoretical deterioration in the US$10 million to US$20 million range in the financial position is not very significant as compared with the size of the operations (approximately US$230 million in sales volume for the 15 week period). As such, the Monitor considers that the theoretical deterioration does not constitute a material adverse change.

Updated projections

34. Management provided us with an updated cash flow projection for WB Group, for the 16 weeks ending October 15, 2010, and these cash flow projections are attached to this report as Appendix C[13]. The opening cash position, on these cash flow projections, represents the actual cash on hand as of June 25, 2010. The remainder of the amounts presented for the week of July 2, 2010 represents a projection, as the projected cash flow statements have not yet been updated to reflect the actual results for the week ended July 2, 2010.

35. The updated projections suggest that WB Group and WB Canada expect to have sufficient liquidity to carry out their business in the normal course, throughout the period covered by the projections.

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[11] As of the date of this report, the internal financial statements for the month of June 2010 have not yet been prepared.

[12] The Monitor considers the deterioration to be merely theoretical, as it assumes that the proper basis of valuation of the assets is a going concern value throughout the period. A theoretical deterioration could indeed be an improving financial position, to the extent that it leads to a going concern scenario.

[13] Management has also provided us with an updated cash flow projection for WB Canada, for the 16 week period ending October 15, 2010, extracted from the above-mentioned projection for the WB Group, and prepared on the same basis. This cash flow projection is attached as Appendix D.

CONCLUSIONS AND RECOMMENDATIONS

36. The Monitor believes that a further extension of the stay of proceedings until October 12, 2010, to allow WB Group to continue the process already under way to seek out a purchaser for the business as a whole, will not cause a substantial prejudice to the creditors of WB Group.

37. Based on discussions with representatives of WB Group, the Monitor believes WB Group has acted and is continuing to act in good faith and with due diligence.

38. Based on the foregoing, the Monitor recommends that the Court grant an extension of the stay of proceedings.

All of which is respectfully submitted this 7th day of July 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

Appendix A – Cash flow projections of WB Group - 17 weeks ending July 9, 2010

White Birch Paper

17-Week Cash Flow Forecast

Weeks Ending March 19 through July 9, 2010

24/03/2010

Confidential

White Birch Paper
Rolling Weekly Forecast
Weeks Ended March 19, 2010-July 9, 2010

CONSOLIDATED
In $000's

CONFIDENTIAL

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
	Wk Ended	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	17 Week
	3/19	3/26	4/2	4/9	4/16	4/23	4/30	5/7	5/14	5/21	5/28	6/4	6/11	6/18	6/25	7/2	7/9	Total
Operating Receipts																		
Bear Island	$ 2,582	$ 2,225	$ 3,144	$ 1,786	$ 1,586	$ 2,575	$ 4,219	$ 1,675	$ 1,475	$ 2,075	$ 3,319	$ 1,975	$ 1,375	$ 1,325	$ 4,369	$ 2,125	$ 1,525	$ 39,355
Stadacona	4,545	8,380	4,708	4,045	4,517	5,769	10,421	3,948	5,126	3,972	9,144	4,772	4,451	5,371	6,264	6,852	4,571	96,857
F. F. Soucy	1,435	2,048	9,161	2,367	1,823	1,971	3,787	3,332	3,078	2,295	2,672	2,943	1,878	3,050	1,978	3,706	1,878	49,403
Papier Masson	1,703	3,435	1,798	1,851	1,424	1,804	3,449	2,879	2,090	2,100	3,666	2,403	2,247	1,670	2,595	3,535	1,935	40,583
Accounts Receivable Contraction	(1,540)	(2,413)	(2,821)	32	1,011	1,004	(1,774)	(373)	52	1,715	(1,045)	(48)	73	1,108	(467)	(940)	226	(6,200)
Total Operating Receipts	8,725	13,675	15,988	10,081	10,360	13,123	20,102	11,461	11,822	12,157	17,756	12,044	10,026	12,524	14,739	15,278	10,136	219,998
Operating Disbursements																		
Fiber	(2,908)	(2,693)	(2,747)	(2,747)	(2,893)	(2,747)	(2,722)	(2,797)	(2,943)	(2,797)	(2,797)	(2,797)	(2,943)	(2,772)	(2,760)	(2,797)	(2,943)	(47,801)
Chemicals	(667)	(787)	(964)	(871)	(1,060)	(778)	(906)	(804)	(853)	(1,046)	(829)	(835)	(822)	(1,078)	(854)	(835)	(828)	(14,819)
Electricity	(3,340)	(2,970)	(3,062)	(3,179)	(3,918)	(3,132)	(3,056)	(3,003)	(3,079)	(4,131)	(3,080)	(3,104)	(3,011)	(3,227)	(4,033)	(3,127)	(3,027)	(55,483)
Recycle Material	(883)	(1,101)	(1,114)	(1,043)	(1,078)	(1,043)	(1,393)	(1,043)	(1,078)	(1,043)	(1,393)	(1,043)	(1,078)	(1,043)	(1,388)	(1,043)	(1,078)	(18,890)
Other Materials and Other Utilities	(1,748)	(1,212)	(1,621)	(1,961)	(1,762)	(1,797)	(1,768)	(1,876)	(1,714)	(1,676)	(1,749)	(1,726)	(2,053)	(1,736)	(1,695)	(1,720)	(2,088)	(29,902)
Property Taxes	(5)	-	-	-	(16)	-	-	-	-	(712)	-	-	-	(16)	-	-	-	(749)
Salaried and Hourly Payroll- Gross	(1,779)	(1,752)	(1,521)	(1,446)	(1,581)	(1,728)	(1,647)	(1,611)	(1,603)	(1,728)	(1,647)	(1,626)	(1,140)	(2,012)	(1,809)	(1,460)	(1,547)	(27,635)
Pension Plan and Group insurance	(537)	(471)	(353)	(113)	(3)	(917)	(440)	(113)	(3)	(917)	(440)	(113)	(3)	(917)	(440)	(113)	(3)	(5,897)
Freight	(1,580)	(1,498)	(1,518)	(1,508)	(1,728)	(1,519)	(1,542)	(1,520)	(1,720)	(1,537)	(1,525)	(1,527)	(1,520)	(1,735)	(1,533)	(1,523)	(1,552)	(26,584)
Maintenance Equipment	(190)	(316)	(405)	(382)	(434)	(335)	(448)	(325)	(351)	(326)	(448)	(316)	(318)	(330)	(437)	(348)	(334)	(6,045)
Major Maintenance	(277)	(148)	(177)	(160)	(248)	(712)	(516)	(126)	(126)	(166)	(216)	(166)	(126)	(176)	(216)	(266)	(216)	(4,041)
Capital Expenditures	(23)	(14)	(126)	(111)	-	-	(235)	(77)	-	-	-	-	-	-	(117)	(39)	-	(742)
Professional Fees	(52)	(52)	(138)	(50)	(51)	(25)	(55)	(134)	(50)	(50)	(55)	(119)	(55)	(50)	(55)	(136)	(53)	(1,179)
Leases	(17)	(8)	(91)	(13)	(32)	(7)	(7)	(95)	(32)	(7)	(6)	(86)	(1)	(32)	(7)	(91)	(16)	(547)
Other	(52)	(52)	(175)	(52)	(52)	(77)	(175)	(77)	(77)	(77)	(77)	(175)	(52)	(77)	(77)	(177)	(77)	(1,579)
Management Fee	(660)	-	(710)	-	(710)	-	(710)	-	(710)	-	(710)	-	-	(709)	-	(709)	-	(5,627)
Bankruptcy Impacts	(5,202)	(5,202)	(4,652)	(8,152)	(8,152)	(3,500)	(3,234)	-	-	-	-	-	-	5,000	4,000	3,000	-	(26,092)
Total Operating Disbursements	(19,920)	(18,274)	(19,374)	(21,788)	(23,720)	(18,318)	(18,856)	(13,602)	(14,340)	(16,213)	(14,972)	(13,634)	(13,121)	(10,912)	(11,422)	(11,384)	(13,764)	(273,614)
Net Operating Cash Flow	(11,194)	(4,599)	(3,386)	(11,706)	(13,360)	(5,195)	1,246	(2,141)	(2,518)	(4,056)	2,784	(1,589)	(3,095)	1,611	3,317	3,893	(3,628)	(53,616)
Non Operating Cash Flow and Restructuring																		
Restructuring Professional Fees	(345)	(2,239)	(695)	(1,034)	(361)	(834)	(510)	(834)	(511)	(909)	(195)	(1,049)	(476)	(878)	(296)	(1,028)	(376)	(12,568)
Restructuring Bank Fees and Other Expenses	-	(257)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(257)
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	-	-	(1,026)	-	-	-	(1,021)	-	-	-	-	(1,408)	-	-	-	(1,126)	-	(4,581)
Total Non-Operating Cash Flow and Restructuring	(345)	(2,496)	(1,721)	(1,034)	(361)	(834)	(1,531)	(834)	(511)	(909)	(195)	(2,457)	(476)	(878)	(296)	(2,154)	(376)	(17,406)
Net Operating Receipts (Disbursements)	$ (11,539)	$ (7,095)	$ (5,107)	$ (12,740)	$ (13,721)	$ (6,028)	$ (285)	$ (2,975)	$ (3,029)	$ (4,964)	$ 2,589	$ (4,046)	$ (3,572)	$ 733	$ 3,021	$ 1,739	$ (4,004)	$ (71,022)
BEG. BOOK CASH BALANCE	$ 61,443	$ 49,904	$ 53,847	$ 51,240	$ 40,937	$ 32,216	$ 34,221	$ 33,936	$ 30,949	$ 27,920	$ 22,968	$ 25,557	$ 21,549	$ 17,977	$ 18,710	$ 21,731	$ 23,470	$ 61,443
Net Receipts (Disbursements)	(11,539)	(7,095)	(5,107)	(12,740)	(13,721)	(6,028)	(285)	(2,975)	(3,029)	(4,964)	2,589	(4,046)	(3,572)	733	3,021	1,739	(4,004)	(71,022)
DIP Term Loan Borrowing	-	11,000	2,500	2,500	5,000	8,045	-	-	-	-	-	-	-	-	-	-	-	29,045
GE ABL Borrowing (Repayment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	49,904	53,809	51,240	41,000	32,216	34,233	33,936	30,961	27,920	22,956	25,557	21,511	17,977	18,710	21,731	23,470	19,466	19,466
Unused DIP Commitment - PER DIP BUDGET	29,045	18,045	15,545	13,045	8,045	-	-	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 78,949	$ 71,854	$ 66,785	$ 54,045	$ 40,261	$ 34,233	$ 33,936	$ 30,961	$ 27,920	$ 22,956	$ 25,557	$ 21,511	$ 17,977	$ 18,710	$ 21,731	$ 23,470	$ 19,466	$ 19,466
DIP TERM LOAN BALANCE																		
DIP Loan Balance at Beg. of Week	$ 92,955	$ 92,955	$ 103,955	$ 106,455	$ 108,955	$ 113,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	122,000	122,000	122,000	122,000	$ 92,955
DIP Term Loan Borrowing	-	11,000	2,500	2,500	5,000	8,045	-	-	-	-	-	-	-	-	-	-	-	29,045
DIP Loan Balance at End of Week	$ 92,955	$ 103,955	$ 106,455	$ 108,955	$ 113,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000

White Birch Paper Company
Borowing Base Calculation - Consolidated
Weeks Ended March 19, 2010-June 11, 2010
In $000's

	1	2	3	4	5	6	7	8	9	10	11	12	13			DIP Forecast	
	Wk Ended	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending
	3/19	3/26	4/2	4/9	4/16	4/23	4/30	5/7	5/14	5/21	5/28	6/4	6/11	6/18	6/25	7/2	7/9
Accounts Receivable Balance	$ 93,134	$ 92,731	$ 90,015	$ 95,257	$ 100,220	$ 102,421	$ 97,643	$ 102,374	$ 106,743	$ 110,778	$ 109,214	$ 110,123	$ 113,051	$ 113,481	$ 111,696	$ 109,371	$ 115,428
Advance Rate	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Available Accounts Receivable	$ 55,880	$ 55,639	$ 54,009	$ 57,154	$ 60,132	$ 61,453	$ 58,586	$ 61,424	$ 64,046	$ 66,467	$ 65,528	$ 66,074	$ 67,831	$ 68,089	$ 67,017	$ 65,623	$ 69,257
Inventory Balance	$ 69,352	$ 69,221	$ 69,513	$ 68,215	$ 67,240	$ 65,966	$ 65,037	$ 63,085	$ 61,194	$ 60,113	$ 58,447	$ 59,056	$ 59,674	$ 61,302	$ 62,417	$ 62,882	$ 63,976
Less:																	
Stores	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037	30,037
Packaging, Supplies, Chemicals	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792
Unusable Bunker Oil	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181
Total Ineligible Inventory	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010
Eligible Inventory	34,342	34,211	34,503	33,205	32,230	30,956	30,027	28,075	26,184	25,103	23,437	24,046	24,664	26,292	27,407	27,872	28,966
Advance Rate	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Available Inventory	$ 13,737	$ 13,684	$ 13,801	$ 13,282	$ 12,892	$ 12,382	$ 12,011	$ 11,230	$ 10,474	$ 10,041	$ 9,375	$ 9,619	$ 9,865	$ 10,517	$ 10,963	$ 11,149	$ 11,586
Accounts Receivable and Inventory Collateral For Next Week	$ 69,617	$ 69,323	$ 67,810	$ 70,436	$ 73,024	$ 73,835	$ 70,596	$ 72,654	$ 74,520	$ 76,508	$ 74,903	$ 75,692	$ 77,696	$ 78,605	$ 77,980	$ 76,772	$ 80,843
Based Upon Budgeted Borrowing Scheme:																	
GROSS BORROWING BASE AVAILABILITY - BEG. OF WEEK																	
Accounts Receivable and Inventory Collateral - Beg. of Week	$ 66,763	$ 69,617	$ 69,323	$ 67,810	$ 70,436	$ 73,024	$ 73,835	$ 70,596	$ 72,654	$ 74,520	$ 76,508	$ 74,903	$ 75,692	$ 77,696	$ 78,605	$ 77,980	$ 76,772
PPE Collateral	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Gross Borrowing Base Availability - Beg. of Week	141,763	144,617	144,323	142,810	145,436	148,024	148,835	145,596	147,654	149,520	151,508	149,903	150,692	152,696	153,605	152,980	151,772
(A) - UNUSED DIP COMMITMENT BASED ON BORROWING BASE AVAILABILITY																	
Gross Borrowing Base Availability	$ 141,763	$ 144,617	$ 144,323	$ 142,810	$ 145,436	$ 148,024	$ 148,835	$ 145,596	$ 147,654	$ 149,520	$ 151,508	$ 149,903	$ 150,692	$ 152,696	$ 153,605	$ 152,980	$ 151,772
Outstanding Borrowings - Beg. of Week	(92,955)	(92,955)	(103,955)	(106,455)	(108,955)	(113,955)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)
Less: Required Aggregate Reserve	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
(A) - Unused DIP Commitment Based on Borrowing Base Availability - Beg. of Week	$ 30,808	$ 33,662	$ 22,368	$ 18,355	$ 18,481	$ 16,069	$ 8,835	$ 5,596	$ 7,654	$ 9,520	$ 11,508	$ 9,903	$ 10,692	$ 12,696	$ 13,605	$ 12,980	$ 11,772
(B) - DIP COMMITMENT LESS OUTSTANDINGS AND RESERVES																	
DIP Commitment Amount	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000
Outstanding DIP Borrowings - Beg. of Week	(92,955)	(92,955)	(103,955)	(106,455)	(108,955)	(113,955)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)
Required Aggregate Reserve	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
(B) - Dip Commitment Less Outstandings and Reserves	$ 29,045	$ 29,045	$ 18,045	$ 15,545	$ 13,045	$ 8,045	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unused DIP Commitment (Lesser of A or B) - Beg. of Week	$ 29,045	$ 29,045	$ 18,045	$ 15,545	$ 13,045	$ 8,045	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

White Birch Paper
17 Week Cash Flow Forecast
Weeks Ended March 19, 2010-July 9, 2010

Key Assumptions:

1 - **Bankruptcy Filing:**
- Actual Petition Date was February 24, 2010
- Accounts receivable contraction estimate assumes 3 week delayed collection of approximately 15% of amounts due
- Trade payables contraction and cash deposits assumed to occur in the 5 weeks, beginning with ending 3/19 with loosening beginning in week ending 6/19
- Possessory liens / freight contraction of $1.1 million is assumed to be paid in full in the weeks of 3/19 and 3/26, and forecast payments are assumed to be made on supplier terms
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. $11.1 million) cash were collateralized in the repayment of loan balances to the ABL lender that occurred on March 1. An additional $13.7 million of cash collateralized letters of credit and cash deposits are assumed to be issued beginning in the weeks ending 4/9 through 4/30 for trade vendors
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process

2 - **Includes the Following DIP Financing Assumptions:**
- Pre-petition ABL facility was replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) on March 1 with terms, as follows:
  - Interest at L+1,000 bps; 2% Libor floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid monthly as due
  - DIP loans paid or repaid may not be reborrowed.
- Aggregate reserves approximate $18 million for: the administrative charge, a carve-out for US professional fees and a Canadian Priority Reserve
- Liquidity reflected at any given week includes unused DIP commitment that is not yet available for draw based on budgeted net disbursements
- DIP borrowings and related Unused DIP Commitment fee included in this forecast are based upon the DIP borrowings and Unused DIP Commitment approved in the DIP Budget
- Forecast does not reflect repayment of loans in weeks when cash collections exceed budgeted net disbursements

3 - **Assumes spot rate of C$1.03 to US $1 throughout the forecast period**

4 - **Assumes full production at all mills, based on latest production schedule**

5 - **Preliminary and subject to change**

Appendix B – Comparison of actual and projected results for the 15 weeks ended June 25, 2010

White Birch Paper

Cash Flow Forecast - Variance Report
Actual Compared With 17-Week CFF (Dated March 24, 2010)

For the Weeks Ended June 25, 2010

01/07/2010

Confidential

White Birch Paper Consolidated
Cash Flow Forecast Variance Report to 17-Week CFF (Dated 3/24/1 In $000's
Weeks ended 3/19/10 through 6/25/2010

	Cumulative Variance to Forecast		
	Actual 3/19 Through 6/25	Forecast 3/19 Through 6/25	B (W) than Forecast 6/25
Operating Receipts			
Bear Island	$ 36,426	$ 35,705	$ 721
Stadacona	102,927	85,433	17,494
F.F. Soucy	41,274	43,819	(2,545)
Papier Masson	41,482	35,113	6,369
Accounts Receivable Contraction	-	(5,486)	5,486
Total Operating Receipts	222,109	194,584	27,525
Operating Disbursements			
Fiber	(45,752)	(42,062)	(3,690)
Chemicals	(11,207)	(13,155)	1,948
Electricity	(51,016)	(49,329)	(1,687)
Recycle Material	(19,493)	(16,768)	(2,725)
Other Materials and Other Utilities	(26,884)	(26,095)	(789)
Property Taxes	(1,300)	(749)	(552)
Salaried and Hourly Payroll - Gross	(23,710)	(24,628)	919
Pension Plan and Group Insurance	(4,900)	(5,780)	881
Freight	(28,934)	(23,509)	(5,425)
Maintenance Equipment	(4,015)	(5,363)	1,348
Major Maintenance	(1,881)	(3,559)	1,678
Capital Expenditures	(507)	(703)	197
Professional Fees	(279)	(991)	712
Leases	(162)	(440)	277
Other	(2,788)	(1,325)	(1,463)
Management Fee	(5,922)	(4,918)	(1,004)
Bankruptcy Impacts	(2,526)	(29,092)	26,566
Total Operating Disbursements	(231,275)	(248,465)	17,190
Net Operating Cash Flow	(9,166)	(53,881)	44,715
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(6,362)	(11,165)	4,803
Restructuring Bank Fees and Other Expenses	(257)	(257)	-
Intercompany Transfers	0	-	0
Interest Payments	(3,646)	(3,454)	(192)
Total Non-Operating Cash Flow and Restructuring	(10,265)	(14,876)	4,612
Net Operating Receipts (Disbursements)	$ (19,431)	$ (68,758)	$ 49,326
BEG. BOOK CASH BALANCE	$ 61,443	$ 61,443	$ 0
Net Receipts (Disbursements)	(19,431)	(68,758)	49,326
DIP Term Loan Borrowing	25,000	29,045	(4,045)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	67,012	21,731	45,282
Unused DIP Commitment	4,045	-	4,045
LIQUIDITY	$ 71,057	$ 21,731	$ 49,327
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 92,955	$ 92,955	$ -
DIP Term Loan Borrowing	25,000	29,045	(4,045)
DIP Loan Balance at End of Week / Period	$ 117,955	$ 122,000	$ (4,045)

White Birch Paper Holding Company - WB Canada Only
Cash Flow Forecast - Cumulative Variance Report to 17-Week CFF (Dated 3
Weeks ended 3/19/10 through 6/25/2010

White Birch Paper Holding Company - Canada Only
In $000's

	Cumulative 15-Week Variance to Forecast		
	Actual 3/19 Through 6/25	Forecast 3/19 Through 6/25	B (W) than Forecast 6/25
Operating Receipts			
Stadacona	102,927	85,433	17,494
F.F. Soucy	41,274	43,819	(2,545)
Papier Masson	41,482	35,113	6,369
Accounts Receivable Contraction	-	(4,798)	4,798
Total Operating Receipts	185,683	159,568	26,115
Operating Disbursements			
Fiber	(42,013)	(38,622)	(3,391)
Chemicals	(8,256)	(9,971)	1,715
Electricity	(42,740)	(39,302)	(3,438)
Recycle Material	(15,497)	(11,825)	(3,672)
Other Materials and Other Utilities	(22,675)	(21,991)	(684)
Property Taxes	(1,158)	(696)	(462)
Salaried and Hourly Payroll - Gross	(18,636)	(19,271)	635
Pension Plan and Group Insurance	(4,900)	(5,780)	881
Freight	(25,399)	(19,387)	(6,011)
Maintenance Equipment	(2,644)	(2,671)	27
Major Maintenance	(1,386)	(2,712)	1,326
Capital Expenditures	(313)	-	(313)
Professional Fees	(261)	(914)	653
Leases	(20)	(246)	226
Other	(2,788)	(1,325)	(1,463)
Management Fee	(4,881)	(3,929)	(952)
Bankruptcy Impacts	(2,448)	(22,142)	19,694
Total Operating Disbursements	(196,015)	(200,787)	4,771
Net Operating Cash Flow	(10,333)	(41,219)	30,886
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(5,269)	(10,352)	5,083
Restructuring Bank Fees and Other Expenses	(257)	(218)	(39)
Intercompany Transfers	1,154	-	1,154
Interest Payments	(3,646)	(2,976)	(670)
Total Non-Operating Cash Flow and Restructuring	(8,018)	(13,546)	5,528
Net Operating Receipts (Disbursements)	$ (18,351)	$ (54,764)	$ 36,414
BEG. BOOK CASH BALANCE	$ 54,732	$ 54,732	$ 0
Net Receipts (Disbursements)	(18,351)	(54,764)	36,414
DIP Term Loan Borrowing	25,000	19,753	5,247
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	61,382	19,720	41,661
Unused DIP Commitment	4,045	-	4,045
LIQUIDITY	$ 65,427	$ 19,720	$ 45,706
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 92,955	$ 92,955	$ -
DIP Term Loan Borrowing	25,000	19,753	5,247
DIP Loan Balance at End of Week / Period	$ 117,955	$ 112,708	$ 5,247

Appendix C – Cash flow projections of WB Group - 16 weeks ending October 15, 2010

White Birch Paper

16-Week Cash Flow Forecast

Weeks Ending July 2 through October 15, 2010

06/07/2010

Confidential

White Birch Paper
16-Week Cash Flow Forecast
Weeks Ended July 2, 2010-October 15, 2010

CONSOLIDATED
In $000's

CONFIDENTIAL

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	Wk Ended	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	16 Week
	7/2	7/9	7/16	7/23	7/30	8/6	8/13	8/20	8/27	9/3	9/10	9/17	9/24	10/1	10/8	10/15	Total
Operating Receipts																	
Bear Island	$ 4,129	$ 1,700	$ 1,981	$ 2,786	$ 3,911	$ 2,100	$ 1,900	$ 3,100	$ 2,300	$ 3,425	$ 2,100	$ 1,800	$ 2,800	$ 4,225	$ 1,900	$ 2,100	$ 42,257
Stadacona	7,076	4,960	4,892	5,360	10,095	5,070	5,393	5,512	12,595	4,980	5,165	7,021	9,635	6,965	5,065	5,650	105,434
F. F. Soucy	4,059	3,926	1,837	1,490	4,441	2,954	3,420	2,589	3,749	5,299	2,588	3,213	2,228	4,670	2,885	2,470	51,817
Papier Masson	4,497	1,658	2,306	2,345	3,813	2,766	2,239	2,226	3,542	2,109	2,410	2,305	2,174	3,699	2,410	2,305	42,803
Total Operating Receipts	19,760	12,244	11,015	11,981	22,261	12,890	12,953	13,427	22,186	15,813	12,263	14,339	16,837	19,559	12,260	12,525	242,311
Operating Disbursements																	
Fiber	(2,932)	(3,224)	(3,145)	(3,119)	(3,001)	(2,980)	(2,764)	(2,817)	(3,259)	(3,277)	(3,284)	(3,297)	(3,297)	(3,277)	(3,284)	(3,297)	(50,253)
Chemicals	(829)	(805)	(1,044)	(722)	(770)	(831)	(1,000)	(725)	(795)	(725)	(839)	(981)	(753)	(725)	(839)	(981)	(13,365)
Electricity	(4,189)	(3,419)	(3,235)	(3,235)	(4,163)	(3,435)	(3,262)	(3,250)	(4,209)	(3,333)	(3,247)	(3,259)	(3,247)	(4,292)	(3,247)	(3,259)	(56,281)
Recycle Material	(1,510)	(1,325)	(1,275)	(1,325)	(1,540)	(1,325)	(1,275)	(1,325)	(1,540)	(1,325)	(1,275)	(1,325)	(1,275)	(1,325)	(1,275)	(1,325)	(21,565)
Other Materials and Other Utilities	(2,316)	(2,215)	(2,092)	(2,060)	(2,345)	(2,036)	(1,920)	(1,866)	(2,349)	(1,828)	(2,056)	(1,918)	(1,931)	(1,828)	(2,056)	(1,918)	(32,734)
Property Taxes	-	-	(5)	(11)	-	-	(5)	-	-	-	-	(5)	(5)	-	-	(5)	(36)
Salaried and Hourly Payroll- Gross	(1,484)	(1,743)	(1,666)	(1,597)	(1,399)	(1,881)	(1,688)	(1,593)	(1,395)	(1,681)	(1,428)	(1,835)	(1,355)	(1,681)	(1,428)	(1,835)	(25,689)
Pension Plan and Group insurance	(307)	(203)	(2)	(646)	(527)	(203)	(2)	(646)	(527)	(203)	(2)	(3)	(645)	(623)	(107)	(3)	(4,646)
Freight	(2,600)	(2,150)	(1,993)	(2,142)	(2,052)	(2,144)	(2,252)	(2,151)	(2,052)	(2,145)	(2,202)	(2,171)	(2,245)	(2,145)	(2,202)	(2,171)	(34,814)
Maintenance Equipment	(210)	(309)	(423)	(398)	(337)	(330)	(344)	(324)	(343)	(308)	(312)	(322)	(346)	(308)	(312)	(322)	(5,247)
Major Maintenance	(102)	(157)	(365)	(299)	(110)	(207)	(105)	(260)	(100)	(365)	(105)	(55)	(120)	(115)	(105)	(95)	(2,665)
Capital Expenditures	-	(334)	-	(59)	-	-	(50)	(50)	-	-	-	-	-	-	-	-	(493)
Professional Fees	(50)	(120)	(50)	(50)	(135)	(65)	(50)	(50)	(105)	(60)	(50)	(50)	(50)	(60)	(50)	(50)	(1,045)
Leases	(2)	(10)	(42)	(8)	(9)	(20)	(33)	(1)	(9)	(16)	(8)	(34)	(1)	(16)	(8)	(34)	(249)
Other	(762)	(152)	(227)	(202)	(1,652)	(202)	(202)	(202)	(202)	(227)	(227)	(202)	(227)	(227)	(227)	(227)	(5,369)
Management Fee	(1,387)	-	(707)	-	(1,387)	-	-	(707)	-	(1,387)	-	(707)	-	(1,387)	-	(707)	(8,374)
Bankruptcy Impacts	-	-	-	-	-	-	-	-	-	-	-	(1,500)	-	-	-	-	(1,500)
Total Operating Disbursements	(18,680)	(16,166)	(16,269)	(15,873)	(19,426)	(15,658)	(14,951)	(15,967)	(16,884)	(16,878)	(15,035)	(17,664)	(15,497)	(18,007)	(15,140)	(16,229)	(264,325)
Net Operating Cash Flow	1,080	(3,922)	(5,254)	(3,892)	2,835	(2,769)	(1,998)	(2,540)	5,302	(1,065)	(2,773)	(3,325)	1,340	1,552	(2,881)	(3,704)	(22,015)
Non Operating Cash Flow and Restructuring																	
Restructuring Professional Fees	(194)	(974)	(883)	(572)	(574)	(1,079)	(495)	(440)	(385)	(1,014)	(540)	(451)	(360)	(1,139)	(340)	(539)	(9,977)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(154)	(965)	(169)	-	(154)	(965)	(69)	(100)	-	(154)	(965)	(169)	-	(154)	(965)	(169)	(5,152)
Total Non-Operating Cash Flow and Restructuring	(348)	(1,939)	(1,052)	(572)	(728)	(2,044)	(564)	(540)	(385)	(1,168)	(1,505)	(620)	(360)	(1,293)	(1,305)	(708)	(15,129)
Net Operating Receipts (Disbursements)	$ 732	$ (5,860)	$ (6,306)	$ (4,464)	$ 2,107	$ (4,812)	$ (2,562)	$ (3,080)	$ 4,917	$ (2,233)	$ (4,278)	$ (3,946)	$ 980	$ 259	$ (4,186)	$ (4,412)	$ (37,144)
BEG. BOOK CASH BALANCE	$ 67,012	$ 67,744	$ 61,884	$ 59,622	$ 55,158	$ 57,265	$ 52,452	$ 49,890	$ 46,810	$ 51,727	$ 49,494	$ 45,216	$ 41,271	$ 42,251	$ 42,510	$ 38,325	$ 67,012
Net Receipts (Disbursements)	732	(5,860)	(6,306)	(4,464)	2,107	(4,812)	(2,562)	(3,080)	4,917	(2,233)	(4,278)	(3,946)	980	259	(4,186)	(4,412)	(37,144)
DIP Term Loan Borrowing	-	-	4,045	-	-	-	-	-	-	-	-	-	-	-	-	-	4,045
ENDING BOOK CASH BALANCE	67,744	61,884	59,622	55,158	57,265	52,452	49,890	46,810	51,727	49,494	45,216	41,271	42,251	42,510	38,325	33,913	33,913
Unused DIP Commitment	4,045	4,045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 71,789	$ 65,929	$ 59,622	$ 55,158	$ 57,265	$ 52,452	$ 49,890	$ 46,810	$ 51,727	$ 49,494	$ 45,216	$ 41,271	$ 42,251	$ 42,510	$ 38,325	$ 33,913	$ 33,913
DIP TERM LOAN BALANCE																	
DIP Loan Balance at Beg. of Week	$ 117,955	$ 117,955	$ 117,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 117,955
DIP Term Loan Borrowing	-	-	4,045	-	-	-	-	-	-	-	-	-	-	-	-	-	4,045
DIP Loan Balance at End of Week	$ 117,955	$ 117,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000

Key Assumptions:

1 - **Bankruptcy Filing:**
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. $11.1 million) were cash collateralized in the repayment of loan balances to the ABL lender that occurred on March 1.
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- No cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast

2 - **Includes the Following DIP Financing Assumptions:**
- Pre-petition ABL facility was replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) on March 1 with terms, as follows:
  - Interest at L+1,000 bps; 2% Libor floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid monthly as due
  - DIP loans paid or repaid may not be reborrowed
- Aggregate reserves approximate $18.0 million for the D&O charge and the administrative charge, a carve-out for professional fees and a Canadian Priority Reserve
- Liquidity reflected at any given week includes unused DIP commitment that is available for draw based on budgeted net disbursements, and/or borrowing base collateral, but has not yet been drawn
- DIP borrowings and related Unused DIP Commitment, included in this forecast, are consistent with the Supplemental Approved Budget.
- Forecast does not reflect repayment of loans in weeks when cash collections exceed budgeted net disbursements

3 - **Assumes spot rate of C$1.00 to US $1.00 throughout the forecast period**

4 - **Assumes full production at all mills based on latest production schedule**

5 - **Preliminary and subject to change**

Appendix D – Cash flow projections of WB Canada - 16 weeks ending October 15, 2010

White Birch Paper Holding Company
WB Canada Only
16-Week Cash Flow Forecast

Weeks Ending July 2 through October 15, 2010

06/07/2010

Confidential

White Birch Paper Holding Company

16-Week Cash Flow Forecast - WB CANADA ONLY In $000's

Weeks Ended July 2, 2010-October 15, 2010

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	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	Wk Ended 7/2	Wk Ending 7/9	Wk Ending 7/16	Wk Ending 7/23	Wk Ending 7/30	Wk Ending 8/6	Wk Ending 8/13	Wk Ending 8/20	Wk Ending 8/27	Wk Ending 9/3	Wk Ending 9/10	Wk Ending 9/17	Wk Ending 9/24	Wk Ending 10/1	Wk Ending 10/8	Wk Ending 10/15	16 Week Total
Operating Receipts																	
Stadacona	7,076	4,960	4,892	5,360	10,095	5,070	5,393	5,512	12,595	4,980	5,165	7,021	9,635	6,965	5,065	5,650	105,434
F. F. Soucy	4,059	3,926	1,837	1,490	4,441	2,954	3,420	2,589	3,749	5,299	2,588	3,213	2,228	4,670	2,885	2,470	51,817
Papier Masson	4,497	1,658	2,306	2,345	3,813	2,766	2,239	2,226	3,542	2,109	2,410	2,305	2,174	3,699	2,410	2,305	42,803
Total Operating Receipts	15,631	10,544	9,034	9,195	18,350	10,790	11,053	10,327	19,886	12,388	10,163	12,539	14,037	15,334	10,360	10,425	200,054
Operating Disbursements																	
Fiber	(2,682)	(2,974)	(2,895)	(2,869)	(2,751)	(2,730)	(2,502)	(2,555)	(2,997)	(2,997)	(2,994)	(2,997)	(2,997)	(2,997)	(2,994)	(2,997)	(45,927)
Chemicals	(689)	(665)	(609)	(565)	(596)	(665)	(605)	(565)	(595)	(565)	(665)	(595)	(565)	(565)	(665)	(595)	(9,770)
Electricity	(3,664)	(2,705)	(2,705)	(2,705)	(3,633)	(2,705)	(2,705)	(2,705)	(3,664)	(2,705)	(2,705)	(2,705)	(2,705)	(3,664)	(2,705)	(2,705)	(47,085)
Recycle Material	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(17,200)
Other Materials and Other Utilities	(2,083)	(1,794)	(1,750)	(1,837)	(2,035)	(1,695)	(1,725)	(1,629)	(2,085)	(1,630)	(1,806)	(1,693)	(1,735)	(1,630)	(1,806)	(1,693)	(28,625)
Property Taxes	-	-	-	-	-	-	(0)	-	-	-	-	-	-	-	-	-	(0)
Salaried and Hourly Payroll- Gross	(1,093)	(1,465)	(1,066)	(1,359)	(993)	(1,643)	(1,088)	(1,355)	(989)	(1,443)	(982)	(1,403)	(964)	(1,443)	(982)	(1,403)	(19,671)
Pension Plan and Group insurance	(307)	(203)	(2)	(646)	(527)	(203)	(2)	(646)	(527)	(203)	(2)	(3)	(645)	(623)	(107)	(3)	(4,646)
Freight	(2,309)	(1,897)	(1,748)	(1,897)	(1,798)	(1,898)	(1,998)	(1,898)	(1,798)	(1,898)	(1,948)	(1,923)	(1,998)	(1,898)	(1,948)	(1,923)	(30,772)
Maintenance Equipment	(109)	(154)	(197)	(220)	(169)	(172)	(198)	(161)	(186)	(155)	(159)	(165)	(169)	(155)	(159)	(165)	(2,691)
Major Maintenance	(60)	(70)	(305)	(247)	(70)	(145)	(65)	(210)	(60)	(315)	(65)	(55)	(80)	(65)	(65)	(55)	(1,932)
Capital Expenditures	-	(285)	-	(50)	-	-	(50)	(50)	-	-	-	-	-	-	-	-	(435)
Professional Fees	(50)	(120)	(50)	(50)	(120)	(50)	(50)	(50)	(105)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(995)
Leases	-	(3)	-	-	-	(3)	-	-	-	(3)	-	-	-	(3)	-	-	(10)
Other	(762)	(152)	(227)	(202)	(1,652)	(202)	(202)	(202)	(202)	(227)	(227)	(202)	(227)	(227)	(227)	(227)	(5,369)
Management Fee	(1,194)	-	(564)	-	(1,194)	-	-	(564)	-	(1,194)	-	(564)	-	(1,194)	-	(564)	(7,036)
Bankruptcy Impacts	-	-	-	-	-	-	-	-	-	-	-	(1,500)	-	-	-	-	(1,500)
Total Operating Disbursements	(16,052)	(13,586)	(13,168)	(13,747)	(16,588)	(13,209)	(12,239)	(13,689)	(14,258)	(14,485)	(12,652)	(14,955)	(13,185)	(15,614)	(12,757)	(13,480)	(223,665)
Net Operating Cash Flow	(421)	(3,042)	(4,134)	(4,552)	1,762	(2,420)	(1,187)	(3,362)	5,628	(2,097)	(2,489)	(2,417)	852	(280)	(2,397)	(3,055)	(23,611)
Non Operating Cash Flow and Restructuring																	
Restructuring Professional Fees	(15)	(774)	(883)	(422)	(370)	(1,039)	(495)	(290)	(195)	(1,014)	(500)	(451)	(20)	(1,139)	(300)	(539)	(8,444)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	(131)	(822)	(144)	-	(131)	(825)	(59)	(85)	-	(131)	(825)	(144)	-	(131)	(825)	(144)	(4,398)
Total Non-Operating Cash Flow and Restructuring	(146)	(1,596)	(1,027)	(422)	(501)	(1,863)	(554)	(375)	(195)	(1,145)	(1,325)	(596)	(20)	(1,270)	(1,125)	(683)	(12,842)
Net Operating Receipts (Disbursements)	$ (567)	$ (4,638)	$ (5,161)	$ (4,974)	$ 1,260	$ (4,283)	$ (1,741)	$ (3,737)	$ 5,433	$ (3,242)	$ (3,814)	$ (3,012)	$ 832	$ (1,550)	$ (3,522)	$ (3,739)	$ (36,453)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 61,382	$ 60,815	$ 56,178	$ 54,459	$ 49,485	$ 50,745	$ 46,462	$ 44,721	$ 40,984	$ 46,417	$ 43,175	$ 39,361	$ 36,349	$ 37,181	$ 35,631	$ 32,110	$ 61,382
Net Receipts (Disbursements)	(567)	(4,638)	(5,161)	(4,974)	1,260	(4,283)	(1,741)	(3,737)	5,433	(3,242)	(3,814)	(3,012)	832	(1,550)	(3,522)	(3,739)	(36,453)
DIP Term Loan Borrowings	-	-	3,442	-	-	-	-	-	-	-	-	-	-	-	-	-	3,442
GE ABL Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	60,815	56,178	54,459	49,485	50,745	46,462	44,721	40,984	46,417	43,175	39,361	36,349	37,181	35,631	32,110	28,371	28,371
Unused DIP Commitment	3,442	3,442	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 64,257	$ 59,620	$ 54,459	$ 49,485	$ 50,745	$ 46,462	$ 44,721	$ 40,984	$ 46,417	$ 43,175	$ 39,361	$ 36,349	$ 37,181	$ 35,631	$ 32,110	$ 28,371	$ 28,371
DIP TERM LOAN BALANCE																	
DIP Loan Balance at Beg. of Week	$ 117,955	$ 117,955	$ 117,955	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 117,955
DIP Term Loan Borrowings	-	-	3,442	-	-	-	-	-	-	-	-	-	-	-	-	-	3,442
DIP Loan Balance at End of Week	$ 117,955	$ 117,955	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397	$ 121,397

White Birch Paper Holding Company- CANADA ONLY
16-Week Cash Flow Forecast
Weeks Ended July 2, 2010-October 15, 2010

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Key Hypothetical Assumptions:

1 **Purpose:**

- The attached statement of projected cash flow has been prepared by Management to present the anticipated cash inflows and outflows resulting from current operations in the period following the making of an initial order, providing for a stay of proceedings, in virtue of the *Companies' Creditors Arrangement Act*, namely the period from July 2 to October 15, 2010.

  The significant hypothetical assumptions made in preparing the projected cash flow statement are presented hereunder.

2 **Basis of presentation:**

- The cash flow projections present the projected receipts and disbursements of the entities comprising WB Canada only. The projections do not include the activities of US based Bear Island Paper Company LLC ("Bear Island")

3 **Stakeholder support:**

- The cash flow projections are based on the assumption that the trade creditors will continue to provide support to the Companies through the delivery of goods and services, and that there will not be any modification in the support extended by other stakeholders such as customers, employees, regulators, etc.

4 **CCAA Filing Scenario:**

- Petition Date was February 24, 2010
- Does not assume future accounts receivable contraction
- No cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast.
- Trade payables payments contraction occurred in weeks ended 2/26 through 3/19 to reflect COD payments. Additional contraction and COD payments are not assumed in this forecast.
- Prior service cost component of pension contributions in Canada of CAD $1.5 million beginning with the February payments are suspended until emergence - savings of approximately $1.5 million CAD per month
- CAD Utility Deposits - Three weeks of utility deposits (appx. $7.5 million CAD) to secure post-petition service were made subsequent to the CCAA filing with continued weekly payments for estimated consumption of approximately $2.7 million CAD.
- Letters of Credit and Cash Deposits - Current letters of credit outstanding on the filing date of $9.5 million were cash collateralized in the repayment of loan balances to the pre-petition ABL lender with a 5% premium.

White Birch Paper Holding Company- CANADA ONLY
16-Week Cash Flow Forecast
Weeks Ended July 2, 2010-October 15, 2010

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Key Hypothetical Assumptions - Continued:

5 **Includes the Following DIP Financing Assumptions:**

- Pre-petition ABL facility replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) with terms, as follows:
  - Interest at L+ 1000 bps with 2% floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid monthly as due
  - DIP loans paid or repaid may not be reborrowed. Forecast does not reflect repayment of loans in weeks when cash collections exceed budgeted net disbursements
- Aggregate reserves approximate $15.1 million for: the D&O Charge and the Administrative Charge, a carve-out for professional fees and a Canadian Priority Reserve
- DIP borrowings and related Unused DIP Commitment, included in this forecast, are consistent with the Supplemental Approved Budget provided to the DIP Lenders in May.
- Liquidity reflected at any given week includes undrawn DIP commitment that is available for draw based on budgeted net disbursements and/or borrowing base collateral that has not yet been drawn.

6 **Assumes spot rate of C$1.00 to US $1.00 throughout the forecast period**

7 **Assumes full production at all mills based on latest production schedule**

8 **This Cash Flow Forecast is preliminary and subject to approval of the court**