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

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

REPORT OF THE MONITOR – APRIL 27, 2012

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 now scheduled to expire on May 4, 2012.

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 proceedings initiated by Bear Island under the Code, together with the "first day orders" made by 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.

Bankruptcy Court for the Eastern District of Virginia, Richmond Division ("**U.S. 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 more complete 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 restructure their business and financial affairs.

5. The Initial Order as previously extended is scheduled to expire on May 4, 2012, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until June 15, 2012.

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. Current activities;

   6.4. Status of Proceedings; and

   6.5. 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.

CURRENT ACTIVITIES

9. The Monitor prepared several reports to the Court addressing the 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 our latest report dated March 27, 2012.

Cash flow results/Interim Financing

10. The most recent cash flow projections filed with the Court were prepared for the 15 weeks ending June 15, 2012. For ease of reference, these cash flow projections are attached hereto as Appendix A.

11. WB Group and its advisors prepared a comparison of the actual and projected results, for the 5 weeks ended April 20, 2012, 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.

12. Essentially, the comparison of actual and projected results for the 5 weeks ended April 20, 2012 indicates that the projections contemplated a positive cash flow of US$10.5 million for the 5 week period, and the actual results yielded a positive cash flow of US$11.1 million, or a favourable variance of US$607,000. The variance is attributed primarily to a combination of the following:

12.1. Lower than projected collection of accounts receivable, by approximately US$2.4 million, or 3.9% of the projected amount.

The accounts receivable were projected to be US$62.8 million as at April 20, 2012, and they are reported to amount to US$60.4 million as at that date. If the variance were strictly related to a slower collection period, the variance would translate into higher accounts receivable by a like amount. The difference between the actual and projected accounts receivable, in view of the variance in the cash receipts, suggests that the revenues were lower than anticipated during the projection period, by approximately US$4.7 million, or approximately 8.9%.

12.2. Lower than projected disbursements, by approximately US$3.0 million[7], or 5.9% of the projected amount.

The inventories were projected to be US$75.8 million as at April 20, 2012, and they are reported to amount to US$78.8 million as at that date.

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. As such a variance on disbursements should be a fair estimate of the variance in purchases and expenses. If this assumption is correct, the difference between the actual and projected inventories, in view of the favourable variance in the cash disbursements, suggests that the costs (costs of goods sold, operating expenses, professional fees and interest) were lower than anticipated during the projection period, by approximately US$6.0 million or 10.9% of the projected amount. The lower cost is attributable primarily to the lower revenues, and lower than anticipated professional fees during the period.

13. 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 an unfavourable variance of US$1.8 million or 4.1% in receipts, and a favourable variance of US$1.4 million or 3.7% in disbursements, for a net unfavourable variance of US$443,000 in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 12.

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[7] Including operating disbursements, professional fees and interest.

14. The results for the 5 weeks ended April 20, 2012 indicate an improvement in the cash balance, by US$11.1 million for WB Group (US$6.8 million for WB Canada). As a result, WB Group's cash on hand stands at approximately US$102.3 million, as at April 20, 2012.

    Overall, the changes in cash, accounts receivable and inventory positions suggest that the Companies' position improved slightly during the 5 week period ended April 20, 2012. However, the Monitor considers that this change is not significant in the circumstances and could be artificial if it is the result of a timing difference in the payment of accounts payable.

Updated projections

15. Management provided us with an updated cash flow projection for WB Group, for the 13 weeks ending July 20, 2012, and these cash flow projections are attached to this report as Appendix C[8]. The opening cash position on these cash flow projections represents the actual cash on hand as of April 20, 2012. The remainder of the amounts represents a projection, as the actual results for the week of April 27, 2012 have not yet been compiled.

16. 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 these projections.

Pension issues

17. The Monitor has been informed that the Companies have been in communication with the Régie des Rentes du Québec ("**RRQ**") over the past several months, in connection with concerns raised by RRQ regarding certain assumptions used by the pension committees to calculate the normal cost payment to the pension plans and the expected yield of the investments in the pension plan. The Monitor understands that the discussions with the RRQ led to an agreement that a lower estimated yield would be used for the calculations, in connection with the actuarial valuations for the 2010 calendar year. This change affects, *inter alia*, the normal cost obligation, from January 2011 onwards. Based on the change in estimate, the cumulative adjustment to the normal cost, for the period from January 2011 to March 2012 would be approximately $2.0 million, payable immediately, and the adjustment to the normal cost payment would be approximately $130,000 per month thereafter.

    The Monitor understands that BDWBI has been informed of the change in the assumptions made to calculate the normal cost contribution and agrees with the change. A provision has been made for the payment of a retroactive adjustment in the updated cash flow projections (Appendices C and D).

18. The Monitor has been informed of a dispute between the collective bargaining agent representing the unionized employees, the Communication, Energy and Paperworkers' Union ("**SCEP**"), and the Companies, regarding the obligation to make normal cost contributions to the pension plans for the Stadacona unionized employees, during the month of January 2012. The amount in dispute is approximately $111,000. The SCEP contends that the Companies had an obligation to remit normal cost contributions totalling approximately $243,000 based on the fact that some

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[8] Management has also provided us with an updated cash flow projection for WB Canada, for the 13 week period ending July 20, 2012, 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.

employees worked during the month, although the Companies only paid $132,000. The Companies' position is that all amounts due have been paid.

Based on the explanations given to the Monitor, the dispute relates to the payment of a paid holiday to the salaried employees on January 1, 2012, and a difference in interpretation of the amount payable in respect of the normal cost payment. SCEP contends that the payment of one day for January 1, 2012 as a holiday triggers an obligation to make a contribution to the pension plan as if the employees worked for the whole month, for both the employer's and the employee's portion of the normal cost pension contribution, even though the employees at Stadacona had been laid off in December 2011. The Companies contend that the payment is based on an amount fixed by the latest filed actuarial report, as a proportion (approximately 110%) of the employee's contribution for a month. Essentially, the difference represents the employer and employee's contribution to the pension plan for the period after the employees were terminated as a result of the decision, in January 2012, to close the Stadacona plant permanently.

The correspondence exchanged between the SCEP, the Companies and the Monitor is attached to this report as Appendix E. The issue has not yet been resolved.

STATUS OF PROCEEDINGS

19. The Initial Order was made on February 24, 2010 and was extended on several occasions since that date. The most recent order of the Court extending the Initial Order was made on March 29, 2012 and grants an extension until May 4, 2012.

20. The Monitor's report, prepared in connection with the Companies' request for an extension of the Initial Order, provided a status report on the progress of the transaction with BDWBI. At the time of this report, the status was essentially as follows:

    20.1. The Companies had started negotiations with the Québec provincial government and with the City of Québec, with a view to achieve the cost savings necessary to make the Stadacona plant viable, and indicated that some time was required to finalize these negotiations before a definitive decision could be made regarding the re-opening of the Stadacona plant. While no definitive timeframe was provided to do so, the Companies indicated they expected the discussions with the Québec provincial government and with the City of Québec would be completed in a time span of approximately 1 month;

    20.2. A technical problem had been raised by the RRQ regarding the terms of the proposed settlement with regards to the existing pension plans, that needed to be resolved;

21. The above represented the immediate next step in the progression towards a closing, as other issues also have to be resolved, such as finalizing agreements regarding the terms of employment of the non unionized employees with BDWBI; obtaining an authorization from Industry Canada pursuant to its review of the proposed transaction under the *Investment Canada Act*; and finalizing documentation.

22. During the hearing on the motion for an extension, on March 29, 2012, the Court requested that the parties communicate by April 23, 2012 to inform each other of the progress made towards resolving the immediate issues that delay a closing of the transaction, namely:

22.1. An indication by the Companies and BDWBI of whether or not sufficient financial support has been committed by the Québec provincial government and/or the City of Québec to permit a re-opening of the Stadacona plant; and

22.2. An indication by SCEP of whether the technical issue raised by the RRQ has been resolved.

23. As requested by the Court at the hearing on March 29, 2012, progress reports on these issues were sent on behalf of SCEP and on behalf of the Companies and BDWBI. The status report received from the Companies and BDWBI is attached as Appendix F and the status report from SCEP is attached as Appendix G.

24. It appears from these reports that the progress made until April 23, 2012 falls short of what the parties expected it would be at the time of the hearing on March 29, 2012:

24.1. The Companies and BDWBI are still in discussions with the Québec provincial government and the City of Québec. The expected level of financial support has not yet been received, and agreements have not yet been finalized regarding the financial support that is currently being considered. While the expected level of financial support has not yet been secured, the discussions with representatives of the Québec provincial government and of the City of Québec are continuing. As a result, the Companies and BDWBI are not prepared to re-open the Stadacona plant at this stage, nor to make any commitment concerning same.

24.2. The SCEP has had discussions with the RRQ, and documents and analysis have been exchanged between the RRQ and the actuaries representing the Companies and the SCEP, however the technical problem raised by the RRQ has apparently not yet been resolved.

It should be noted that the Monitor is not a party to these discussions between the Companies, BDWBI, the Québec provincial government, the City of Québec, SCEP and RRQ. As such, the Monitor is unaware of the specifics of the requests of each party and the contents of the discussions or offers, and can therefore not comment on the likelihood that the issues will be resolved satisfactorily.

25. While there has not been a resolution of the issues raised in the course of the hearing on March 29, 2012, the Monitor is aware that the parties are continuing their efforts to this end. The Monitor has been informed that meetings have been arranged on April 27, 2012 to discuss these issues. At the time of drafting this report, the outcome of these discussions was not known.

26. Aside from the specific issues that must be resolved in the short term in order to progress towards closing of the transaction, the Monitor has been made aware by BDWBI that it is working on draft agreements to document the transactions with the unions representing the employees, including finalizing the texts of the modifications to the collective bargaining agreement and preparing forms of releases that will be required to effect the modifications to the pension plans. The Monitor views such work positively, as it evidences BDWBI's on-going interest and commitment to closing the transaction in the shortest possible time span.

CONCLUSIONS AND RECOMMENDATIONS

27. The Initial Order as previously extended is scheduled to expire on May 4, 2012, and the Applicants have indicated their intention to seek a further extension of the Initial Order.

28. The issues that hamper progress towards a closing of the transaction with BDWBI have not yet been fully resolved. It is apparent that the original expectations as formulated at the last hearing, on March 29, 2012, that the issues could be resolved in a time span of approximately one month, were overly optimistic, and that the Companies and BDWBI require additional time. Based on the reports provided to date, the Monitor believes that the Companies, BDWBI and SCEP are working diligently towards resolving these issues.

29. While the Monitor is very concerned by the delays to date, it appears that BDWBI and WB Group are still committed to closing the sale transaction and that considerable progress has been achieved with the SCEP. As explained in the Monitor's previous reports dated February 21 and March 15, 2012, the alternative to finalizing a transaction with BDWBI is not attractive, as an alternate sale process could well lead to a liquidation of the plants. Still, the Monitor is concerned that unless the issues can be resolved rapidly, delays could decrease the likelihood of re-opening the Stadacona plant.

30. In the present circumstances and based on the projections submitted by the Companies, the Monitor believes that a further extension of the stay of proceedings until June 15, 2012, as requested by WB Group, would not be prejudicial to the creditors of WB Group.

31. 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.

32. Based on the foregoing, the Monitor recommends that the Court grant an extension of the stay of proceedings as requested by WB Canada.

All of which is respectfully submitted this 27th day of April 2012.

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 - 13 weeks ending June 15, 2012

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending Mar. 23 through June 15, 2012

22/03/2012

Confidential

White Birch Paper **CONSOLIDATED** **CONFIDENTIAL**

Rolling Weekly Forecast **In $000's**

Weeks Ended March 23 - June 15, 2012

	1	2	3	4	5	6	7	8	9	10	11	12	13	
	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	13 Week
	3/23	3/30	4/6	4/13	4/20	4/27	5/4	5/11	5/18	5/25	6/1	6/8	6/15	Total
Operating Receipts														
Bear Island	$ 4,887	$ 3,660	$ 2,874	$ 2,365	$ 3,696	$ 3,150	$ 3,050	$ 2,460	$ 3,450	$ 2,250	$ 3,150	$ 3,310	$ 2,300	$ 40,602
Stadacona	1,409	1,037	1,141	929	1,403	844	633	212	207	48	109	-	-	7,973
F. F. Soucy	6,459	4,439	3,238	4,317	1,769	3,304	3,210	3,751	2,477	2,532	3,938	3,378	2,511	45,323
Papier Masson	4,202	3,937	2,449	3,188	3,595	3,731	3,350	2,784	2,606	2,758	3,837	2,833	2,871	42,141
Total Operating Receipts	16,957	13,074	9,703	10,798	10,464	11,029	10,243	9,207	8,740	7,589	11,034	9,521	7,683	136,040
Operating Disbursements														
Fiber	(2,043)	(2,436)	(2,436)	(2,036)	(1,767)	(1,939)	(1,939)	(2,030)	(2,030)	(2,030)	(1,940)	(1,940)	(1,940)	(26,507)
Chemicals	(544)	(279)	(265)	(531)	(328)	(240)	(267)	(272)	(541)	(261)	(297)	(264)	(516)	-4,607
Electricity	(2,231)	(2,500)	(2,254)	(2,168)	(2,168)	(2,427)	(2,168)	(2,272)	(2,174)	(2,174)	(2,010)	(2,309)	(2,211)	-29,069
Recycle Material	(197)	(335)	(262)	(293)	(285)	(285)	(360)	(285)	(285)	(285)	(360)	(285)	(285)	-3,802
Other Materials and Other Utilities	(1,041)	(1,095)	(879)	(1,051)	(896)	(1,085)	(1,073)	(1,099)	(988)	(1,031)	(1,064)	(1,053)	(974)	-13,330
Property Taxes	-	-	-	(5)	-	-	-	(5)	-	-	-	(15)	(5)	-30
Salaried and Hourly Payroll- Gross	(994)	(1,145)	(1,009)	(1,275)	(870)	(1,120)	(993)	(1,290)	(972)	(1,145)	(1,009)	(1,315)	(984)	-14,122
Pension Plan and Group insurance	(142)	(120)	(481)	(142)	(206)	(155)	(481)	(2)	(346)	(120)	(379)	(2)	(346)	-2,923
Freight	(1,451)	(1,144)	(1,124)	(1,061)	(1,149)	(1,053)	(1,223)	(1,111)	(1,199)	(1,103)	(1,123)	(1,103)	(1,209)	-15,052
Maintenance Equipment	(316)	(396)	(552)	(267)	(432)	(287)	(338)	(364)	(303)	(288)	(282)	(290)	(274)	-4,391
Major Maintenance	(21)	(199)	(80)	(120)	(73)	(29)	(72)	(180)	(21)	(96)	(82)	(20)	(60)	-1,056
Capital Expenditures	(288)	-	-	(41)	-	(288)	-	(42)	-	(288)	-	(42)	-	-989
Professional Fees	(25)	(25)	(28)	(25)	(25)	(28)	(25)	(25)	(30)	(25)	(25)	(26)	(25)	-337
Leases	(4)	(1)	(1)	(33)	(4)	-	(1)	(0)	(37)	-	(1)	-	(3)	-84
Other	(52)	(52)	(52)	(307)	(52)	(52)	(52)	(52)	(682)	(427)	(27)	(27)	(27)	-1,863
Management Fee	-	(900)	-	-	(429)	-	(900)	-	(429)	-	(900)	-	(429)	-3,986
Total Operating Disbursements	(9,350)	(10,627)	(9,425)	(9,356)	(8,684)	(8,989)	(9,893)	(9,031)	(10,037)	(9,274)	(9,500)	(8,693)	(9,289)	(122,148)
Net Operating Cash Flow	7,607	2,446	278	1,442	1,780	2,040	350	176	(1,297)	(1,685)	1,534	827	(1,606)	13,892
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(187)	(523)	(690)	(125)	(525)	(350)	(250)	(8,755)	-	-	-	(1,730)	-	(13,134)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(299)	(207)	(207)	(207)	(207)	(207)	-2,783
Total Non-Operating Cash Flow and Restructuring	(394)	(730)	(897)	(332)	(732)	(557)	(457)	(9,054)	(207)	(207)	(207)	(1,937)	(207)	(15,918)
Net Operating Receipts (Disbursements)	$ 7,213	$ 1,717	$ (619)	$ 1,110	$ 1,048	$ 1,483	$ (107)	$ (8,878)	$ (1,504)	$ (1,892)	$ 1,327	$ (1,110)	$ (1,813)	$ (2,026)
BEG. BOOK CASH BALANCE	$ 91,228	$ 98,441	$ 100,158	$ 99,539	$ 100,649	$ 101,697	$ 103,180	$ 103,073	$ 94,194	$ 92,690	$ 90,798	$ 92,125	$ 91,016	$ 91,228
Net Receipts (Disbursements)	7,213	1,717	(619)	1,110	1,048	1,483	(107)	(8,878)	(1,504)	(1,892)	1,327	(1,110)	(1,813)	(2,026)
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	98,441	100,158	99,539	100,649	101,697	103,180	103,073	94,194	92,690	90,798	92,125	91,016	89,203	89,203
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 132,486	$ 134,203	$ 133,584	$ 134,694	$ 135,742	$ 137,225	$ 137,118	$ 128,239	$ 126,735	$ 124,843	$ 126,170	$ 125,061	$ 123,248	$ 123,248
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

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
- Except for restructuring professional fees (as discussed below), 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
- Restructuring professional fees for the week ended May 11, 2012 includes approximately $4.2 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

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, 2010 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 be reborrowed (subject to the prior written consent of the Majority Lenders)
- 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
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company

3 - **Assumes spot rate of C$0.98 to US $1.00 throughout the forecast period**

4 - **Stadacona mill closed (effective Jan. 12, 2012)**
Full production at all other mills

5 - **Assumes no payment will be made for notice, severance or other similar labour cost in connection with the closure of the Stadacona mill, as the initial order contemplates these will be dealt with through the plan of arrangement.**

6 - **Preliminary and subject to change**

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

Weeks Ending Mar. 23 through June 15, 2012

22/03/2012

Confidential

White Birch Paper Holding Company

CONFIDENTIAL

Rolling Weekly Forecast - WB CANADA ONLY

In $000's

Weeks Ended March 23 - June 15, 2012

	1	2	3	4	5	6	7	8	9	10	11	12	13	
	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	13 Week
	3/23	3/30	4/6	4/13	4/20	4/27	5/4	5/11	5/18	5/25	6/1	6/8	6/15	Total
Operating Receipts														
Stadacona	1,409	1,037	1,141	929	1,403	844	633	212	207	48	109	0	0	7,973
F. F. Soucy	6,459	4,439	3,238	4,317	1,769	3,304	3,210	3,751	2,477	2,532	3,938	3,378	2,511	45,323
Papier Masson	4,202	3,937	2,449	3,188	3,595	3,731	3,350	2,784	2,606	2,758	3,837	2,833	2,871	42,141
Total Operating Receipts	12,071	9,413	6,829	8,433	6,767	7,879	7,193	6,747	5,290	5,339	7,884	6,211	5,383	95,437
Operating Disbursements														
Fiber	(1,783)	(2,176)	(2,176)	(1,736)	(1,467)	(1,639)	(1,639)	(1,730)	(1,730)	(1,730)	(1,660)	(1,660)	(1,660)	-22,787
Chemicals	(76)	(102)	(92)	(123)	(102)	(92)	(112)	(112)	(112)	(113)	(112)	(112)	(112)	-1,374
Electricity	(1,642)	(1,795)	(1,616)	(1,616)	(1,616)	(1,769)	(1,616)	(1,616)	(1,616)	(1,616)	(1,769)	(1,616)	(1,616)	-21,522
Recycle Material	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Other Materials and Other Utilities	(758)	(812)	(621)	(682)	(732)	(711)	(787)	(660)	(801)	(760)	(807)	(726)	(660)	-9,518
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Salaried and Hourly Payroll- Gross	(590)	(899)	(580)	(859)	(453)	(874)	(529)	(874)	(529)	(899)	(580)	(899)	(580)	-9,146
Pension Plan and Group insurance	(142)	(120)	(481)	(142)	(206)	(155)	(481)	(2)	(346)	(120)	(379)	(2)	(346)	-2,923
Freight	(1,202)	(890)	(870)	(799)	(895)	(799)	(969)	(849)	(945)	(849)	(869)	(849)	(955)	-11,739
Maintenance Equipment	(230)	(281)	(416)	(173)	(334)	(194)	(228)	(218)	(210)	(172)	(183)	(177)	(181)	-2,999
Major Maintenance	(10)	(20)	(10)	(20)	(10)	(20)	(10)	(20)	(10)	(26)	(10)	(20)	(10)	-199
Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Professional Fees	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	-325
Leases	-	-	-	(3)	-	-	-	-	(3)	-	-	-	(3)	-8
Other	(52)	(52)	(52)	(307)	(52)	(52)	(52)	(52)	(682)	(427)	(27)	(27)	(27)	-1,863
Management Fee	-	(625)	-	-	(286)	-	(625)	-	(286)	-	(625)	-	(286)	-2,734
Total Operating Disbursements	(6,511)	(7,798)	(6,940)	(6,486)	(6,179)	(6,331)	(7,074)	(6,159)	(7,296)	(6,738)	(7,047)	(6,115)	(6,462)	(87,137)
Net Operating Cash Flow	5,559	1,616	(112)	1,947	589	1,547	119	587	(2,006)	(1,399)	837	95	(1,080)	8,300
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(144)	(100)	(435)	(125)	(525)	-	(250)	(6,605)	-	-	-	(1,075)	-	-9,259
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(299)	(207)	(207)	(207)	(207)	(207)	-2,783
Total Non-Operating Cash Flow and Restructuring	(351)	(307)	(642)	(332)	(732)	(207)	(457)	(6,904)	(207)	(207)	(207)	(1,282)	(207)	(12,043)
Net Operating Receipts (Disbursements)	$ 5,208	$ 1,309	$ (754)	$ 1,615	$ (143)	$ 1,340	$ (338)	$ (6,317)	$ (2,213)	$ (1,606)	$ 630	$ (1,187)	$ (1,287)	$ (3,742)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 69,312	$ 74,520	$ 75,829	$ 75,075	$ 76,690	$ 76,546	$ 77,887	$ 77,549	$ 71,232	$ 69,019	$ 67,413	$ 68,043	$ 66,857	$ 69,312
Net Receipts (Disbursements)	5,208	1,309	(754)	1,615	(143)	1,340	(338)	(6,317)	(2,213)	(1,606)	630	(1,187)	(1,287)	(3,742)
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	74,520	75,829	75,075	76,690	76,546	77,887	77,549	71,232	69,019	67,413	68,043	66,857	65,570	65,570
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 108,565	$ 109,874	$ 109,120	$ 110,735	$ 110,591	$ 111,932	$ 111,594	$ 105,277	$ 103,064	$ 101,458	$ 102,088	$ 100,902	$ 99,615	$ 99,615
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

<u>White Birch Paper Holding Company- CANADA ONLY</u>
<u>13 Weekly Cash Flow Forecast</u>
<u>Weeks Ended March 23 - June 15, 2012</u>

CONFIDENTIAL

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 March 17 to June 15, 2012.

  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
- Except for restructuring professional fees (as discussed below), 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.
- Restructuring professional fees for the week ended May 11, 2012 includes approximately $2.0 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee
- Prior service cost component of pension contributions in Canada of CAD $1.5 million beginning with the February payments are suspended until emergence - cash 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.
- 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.

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 be reborrowed (subject to the prior written consent of the Majority Lenders)
- 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.
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company.
- Liquidity reflected at any given week includes unused DIP commitment

6 Assumes spot rate of C$0.98 to US $1.00 throughout the forecast period

7 Stadacona mill closed (effective Jan. 12, 2012)
Full production at all other mills

8

Assumes no payment will be made for notice, severance or other similar labour cost in connection with the closure of the Stadacona mill, as the initial order contemplates these will be dealt with through the plan of arrangement.

9 This Cash Flow Forecast is subject to approval by the Court

Appendix B – Comparison of actual and projected results for the 5 weeks ended April 20, 2012

White Birch Paper

Cash Flow Forecast - Variance Report
Actual Compared With 13-Week CFF (Dated Mar. 22, 2012)

For the Weeks Ended April 20, 2012

26/04/2012

Confidential

White Birch Paper
Cash Flow Forecast Variance Report to 13-Week CFF (Dated 3/22/12)
Weeks Ended April 20, 2012
In $000's

	Cumulative 5-Week Variance to 15-Week CFF		
	Actual 3/17 Through 4/20	Forecast 3/17 Through 4/20	B (W) than Forecast 4/20
Operating Receipts			
Bear Island	$ 16,927	$ 17,482	$ (555)
Stadacona	3,529	5,920	(2,391)
F.F. Soucy	22,436	20,223	2,214
Papier Masson	15,745	17,371	(1,626)
Total Operating Receipts	58,637	60,996	(2,359)
Operating Disbursements			
Fiber	(10,666)	(10,718)	52
Chemicals	(1,810)	(1,947)	138
Electricity	(10,227)	(11,322)	1,095
Recycle Material	(1,152)	(1,372)	220
Other Materials and Other Utilities	(5,006)	(4,962)	(43)
Property Taxes	(25)	(5)	(20)
Salaried and Hourly Payroll - Gross	(5,238)	(5,293)	55
Pension Plan and Group Insurance	(904)	(1,091)	188
Freight	(6,684)	(5,930)	(754)
Maintenance Equipment	(1,596)	(1,964)	368
Major Maintenance	(445)	(494)	49
Capital Expenditures	(288)	(329)	41
Professional Fees	(145)	(128)	(17)
Leases	(36)	(43)	6
Other	(122)	(516)	394
Management Fee	(1,267)	(1,329)	61
Total Operating Disbursements	(45,609)	(47,443)	1,834
Net Operating Cash Flow	13,028	13,553	(525)
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(830)	(2,049)	1,220
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	-	-	-
Interest Payments	(1,123)	(1,035)	(88)
Total Non-Operating Cash Flow and Restructuring	(1,953)	(3,084)	1,132
Net Operating Receipts (Disbursements)	$ 11,075	$ 10,468	$ 607
BEG. BOOK CASH BALANCE	$ 91,228	$ 91,228	$ -
Net Receipts (Disbursements)	11,075	10,468	607
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	102,304	101,697	607
Unused DIP Commitment	34,045	34,045	-
LIQUIDITY	$ 136,349	$ 135,742	$ 607
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 87,955	$ 87,955	$ -
DIP Term Loan Borrowing	-	-	-
DIP Loan Balance at End of Week / Period	$ 87,955	$ 87,955	$ -

White Birch Paper Holding Company - WB Canada Only
Cash Flow Forecast - Cumulative Variance Report to 13-Week CFF (Dated 3/22/12)
Weeks Ended April 20, 2012
In $000's

	Actual 3/17 to 4/20	Forecast 3/17 to 4/20	B (W) than Forecast 4/20
	Cumulative 5-Week Variance to 13-Week CFF		
Operating Receipts			
Stadacona	3,529	5,920	(2,391)
F.F. Soucy	22,436	20,223	2,214
Papier Masson	15,745	17,371	(1,626)
Total Operating Receipts	41,710	43,513	(1,803)
Operating Disbursements			
Fiber	(9,328)	(9,338)	10
Chemicals	(372)	(495)	124
Electricity	(7,294)	(8,286)	992
Recycle Material	-	-	-
Other Materials and Other Utilities	(3,580)	(3,605)	25
Property Taxes	(25)	-	(25)
Salaried and Hourly Payroll - Gross	(3,401)	(3,381)	(20)
Pension Plan and Group Insurance	(904)	(1,091)	188
Freight	(5,476)	(4,657)	(820)
Maintenance Equipment	(1,084)	(1,435)	351
Major Maintenance	-	(71)	71
Capital Expenditures	-	-	-
Professional Fees	(145)	(125)	(20)
Leases	-	(3)	3
Other	(122)	(516)	394
Management Fee	(872)	(911)	39
Total Operating Disbursements	(32,602)	(33,915)	1,312
Net Operating Cash Flow	9,108	9,599	(491)
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(651)	(1,329)	678
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(543)	-	(543)
Interest Payments	(1,123)	(1,035)	(88)
Total Non-Operating Cash Flow and Restructuring	(2,317)	(2,364)	47
Net Operating Receipts (Disbursements)	$ 6,791	$ 7,234	$ (443)
BEG. BOOK CASH BALANCE	$ 69,312	$ 69,312	$ -
Net Receipts (Disbursements)	6,791	7,234	(443)
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	76,103	76,546	(443)
Unused DIP Commitment	34,045	34,045	-
LIQUIDITY	$ 110,148	$ 110,591	$ (443)
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 87,955	$ 87,955	$ -
DIP Term Loan Borrowing	-	-	-
DIP Loan Balance at End of Week / Period	$ 87,955	$ 87,955	$ -

Appendix C – Cash flow projections of WB Group - 13 weeks ending July 20, 2012

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending Apr. 27 through July 20, 2012

26/04/2012

Confidential

White Birch Paper CONSOLIDATED CONFIDENTIAL

Rolling Weekly Forecast In $000's

Weeks Ended April 27 - July 20, 2012

	1	2	3	4	5	6	7	8	9	10	11	12	13	
	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	13 Week
	4/27	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22	6/29	7/6	7/13	7/20	Total
Operating Receipts														
Bear Island	$ 3,613	$ 2,923	$ 2,498	$ 3,682	$ 2,482	$ 3,150	$ 3,310	$ 2,300	$ 4,055	$ 3,250	$ 3,165	$ 2,250	$ 3,805	$ 40,482
Stadacona	818	390	389	513	655	516	518	876	178	263	26	26	231	5,398
F. F. Soucy	3,932	3,483	3,412	2,375	2,130	3,737	2,350	6,423	2,548	3,143	3,773	3,813	4,893	46,011
Papier Masson	3,952	3,495	3,368	3,175	2,962	4,317	2,775	3,009	2,742	3,451	2,986	2,667	2,514	41,415
Total Operating Receipts	12,314	10,292	9,666	9,745	8,229	11,720	8,953	12,608	9,523	10,108	9,949	8,756	11,443	133,306
Operating Disbursements														
Fiber	(2,157)	(2,116)	(2,101)	(2,081)	(2,081)	(2,011)	(2,011)	(2,011)	(2,011)	(2,011)	(2,011)	(2,041)	(2,041)	(26,683)
Chemicals	(274)	(271)	(285)	(551)	(251)	(277)	(264)	(517)	(285)	(267)	(260)	(516)	(315)	(4,334)
Electricity	(2,574)	(2,131)	(2,299)	(2,136)	(2,127)	(1,993)	(2,340)	(2,159)	(2,149)	(2,531)	(2,277)	(2,167)	(2,157)	(29,039)
Recycle Material	(215)	(299)	(248)	(261)	(285)	(360)	(285)	(285)	(285)	(285)	(360)	(285)	(285)	(3,738)
Other Materials and Other Utilities	(1,216)	(1,137)	(1,188)	(989)	(872)	(1,064)	(1,046)	(857)	(826)	(1,043)	(1,176)	(1,069)	(993)	(13,475)
Property Taxes	-	-	(5)	-	-	-	(15)	(5)	-	-	-	-	-	(25)
Salaried and Hourly Payroll- Gross	(1,100)	(1,080)	(1,285)	(972)	(1,115)	(882)	(1,412)	(1,005)	(1,140)	(959)	(1,140)	(1,078)	(1,154)	(14,320)
Pension Plan and Group insurance	(160)	(185)	(79)	(2)	(2,514)	(185)	(79)	(2)	(355)	(119)	(263)	(2)	(355)	(4,300)
Freight	(1,483)	(1,227)	(1,422)	(1,093)	(1,162)	(1,103)	(1,074)	(1,104)	(1,073)	(1,161)	(1,073)	(1,229)	(1,273)	(15,476)
Maintenance Equipment	(492)	(295)	(430)	(289)	(477)	(309)	(395)	(351)	(283)	(266)	(360)	(284)	(304)	(4,537)
Major Maintenance	(149)	(81)	(101)	(98)	(109)	(101)	(10)	(178)	(50)	(26)	(104)	(60)	(45)	(1,115)
Capital Expenditures	(288)	(188)	(42)	(257)	(290)	(56)	(65)	(97)	(85)	(423)	-	(123)	-	(1,914)
Professional Fees	(25)	(25)	(28)	(25)	(25)	(28)	(25)	(25)	(28)	(25)	(25)	(26)	(25)	(335)
Leases	-	(1)	(0)	(34)	-	(1)	-	(36)	-	(1)	-	(35)	-	(108)
Other	(1,073)	(52)	(52)	(427)	(427)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(537)	(2,759)
Management Fee	-	(775)	-	(429)	-	(750)	-	(429)	-	(725)	-	(429)	-	(3,536)
Total Operating Disbursements	(11,206)	(9,863)	(9,565)	(9,645)	(11,734)	(9,146)	(9,049)	(9,087)	(8,596)	(9,868)	(9,077)	(9,370)	(9,484)	(125,692)
Net Operating Cash Flow	1,109	428	101	100	(3,505)	2,573	(96)	3,522	927	239	873	(614)	1,958	7,614
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(98)	(1,160)	(8,755)	-	-	-	(1,730)	-	(100)	-	(1,730)	-	-	(13,573)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(207)	(207)	(299)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(2,783)
Total Non-Operating Cash Flow and Restructuring	(305)	(1,367)	(9,054)	(207)	(207)	(207)	(1,937)	(207)	(307)	(207)	(1,937)	(207)	(207)	(16,357)
Net Operating Receipts (Disbursements)	$ 803	$ (939)	$ (8,953)	$ (107)	$ (3,712)	$ 2,366	$ (2,033)	$ 3,315	$ 620	$ 32	$ (1,064)	$ (821)	$ 1,751	$ (8,742)
BEG. BOOK CASH BALANCE	$ 102,304	$ 103,107	$ 102,168	$ 93,215	$ 93,108	$ 89,397	$ 91,763	$ 89,730	$ 93,044	$ 93,664	$ 93,696	$ 92,632	$ 91,811	$ 102,304
Net Receipts (Disbursements)	803	(939)	(8,953)	(107)	(3,712)	2,366	(2,033)	3,315	620	32	(1,064)	(821)	1,751	(8,742)
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	103,107	102,168	93,215	93,108	89,397	91,763	89,730	93,044	93,664	93,696	92,632	91,811	93,562	93,562
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 137,152	$ 136,213	$ 127,260	$ 127,153	$ 123,442	$ 125,808	$ 123,775	$ 127,089	$ 127,709	$ 127,741	$ 126,677	$ 125,856	$ 127,607	$ 127,607
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

White Birch Paper
13 Week Cash Flow Forecast
Weeks Ended April 27 - July 20, 2012

CONFIDENTIAL

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
- Except for restructuring professional fees (as discussed below), 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
- Restructuring professional fees for the week ended May 11, 2012 includes approximately $4.2 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

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, 2010 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 be reborrowed (subject to the prior written consent of the Majority Lenders)
- 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
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company

3 - **Assumes spot rate of C$0.98 to US $1.00 throughout the forecast period**

4 - **Stadacona mill closed (effective Jan. 12, 2012)**
Full production at all other mills

5 - **Assumes no payment will be made for notice, severance or other similar labour cost in connection with the closure of the Stadacona mill, as the initial order contemplates these will be dealt with through the plan of arrangement.**

6 - **Preliminary and subject to change**

Appendix D – Cash flow projections of WB Canada - 13 weeks ending July 20, 2012

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

Weeks Ending Apr. 27 through July 20, 2012

26/04/2012

Confidential

White Birch Paper Holding Company **CONFIDENTIAL**

Rolling Weekly Forecast - WB CANADA ONLY **In $000's**

Weeks Ended April 27 - July 20, 2012

	1	2	3	4	5	6	7	8	9	10	11	12	13	
	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	13 Week
	4/27	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22	6/29	7/6	7/13	7/20	Total
Operating Receipts														
Stadacona	818	390	389	513	655	516	518	876	178	263	26	26	231	5,398
F. F. Soucy	3,932	3,483	3,412	2,375	2,130	3,737	2,350	6,423	2,548	3,143	3,773	3,813	4,893	46,011
Papier Masson	3,952	3,495	3,368	3,175	2,962	4,317	2,775	3,009	2,742	3,451	2,986	2,667	2,514	41,415
Total Operating Receipts	8,702	7,369	7,169	6,063	5,748	8,570	5,643	10,308	5,468	6,858	6,784	6,506	7,638	92,824
Operating Disbursements														
Fiber	(1,842)	(1,801)	(1,801)	(1,781)	(1,781)	(1,711)	(1,711)	(1,711)	(1,711)	(1,711)	(1,711)	(1,741)	(1,741)	(22,753)
Chemicals	(109)	(103)	(92)	(122)	(103)	(92)	(112)	(113)	(113)	(112)	(112)	(112)	(112)	(1,408)
Electricity	(1,734)	(1,591)	(1,611)	(1,589)	(1,589)	(1,742)	(1,614)	(1,589)	(1,589)	(1,742)	(1,614)	(1,589)	(1,589)	(21,181)
Recycle Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Materials and Other Utilities	(805)	(821)	(618)	(804)	(618)	(787)	(664)	(625)	(660)	(767)	(795)	(688)	(686)	(9,337)
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaried and Hourly Payroll- Gross	(854)	(616)	(869)	(529)	(869)	(453)	(996)	(555)	(869)	(555)	(894)	(504)	(869)	(9,430)
Pension Plan and Group insurance	(160)	(185)	(79)	(2)	(2,514)	(185)	(79)	(2)	(355)	(119)	(263)	(2)	(355)	(4,300)
Freight	(1,164)	(985)	(1,172)	(850)	(919)	(849)	(820)	(850)	(819)	(899)	(819)	(975)	(1,019)	(12,139)
Maintenance Equipment	(370)	(200)	(270)	(163)	(319)	(200)	(239)	(248)	(190)	(172)	(235)	(175)	(172)	(2,955)
Major Maintenance	(10)	(20)	(10)	(20)	(10)	(20)	(10)	(20)	(10)	(26)	(10)	(20)	(10)	(199)
Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(325)
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(1,073)	(52)	(52)	(427)	(427)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(537)	(2,759)
Management Fee	-	(500)	-	(286)	-	(475)	-	(286)	-	(450)	-	(286)	-	(2,284)
Total Operating Disbursements	(8,146)	(6,899)	(6,599)	(6,599)	(9,173)	(6,566)	(6,298)	(6,050)	(6,367)	(6,604)	(6,506)	(6,144)	(7,115)	(89,068)
Net Operating Cash Flow	556	470	570	(537)	(3,425)	2,004	(655)	4,258	(899)	253	279	362	522	3,756
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(53)	(573)	(6,605)	-	-	-	(1,075)	-	(100)	-	(1,075)	-	-	(9,481)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	(207)	(207)	(299)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(2,783)
Total Non-Operating Cash Flow and Restructuring	(260)	(780)	(6,904)	(207)	(207)	(207)	(1,282)	(207)	(307)	(207)	(1,282)	(207)	(207)	(12,264)
Net Operating Receipts (Disbursements)	$ 296	$ (311)	$ (6,334)	$ (744)	$ (3,632)	$ 1,797	$ (1,937)	$ 4,051	$ (1,206)	$ 46	$ (1,003)	$ 155	$ 315	$ (8,508)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 76,103	$ 76,400	$ 76,089	$ 69,754	$ 69,011	$ 65,378	$ 67,175	$ 65,238	$ 69,289	$ 68,082	$ 68,128	$ 67,125	$ 67,280	$ 76,103
Net Receipts (Disbursements)	296	(311)	(6,334)	(744)	(3,632)	1,797	(1,937)	4,051	(1,206)	46	(1,003)	155	315	(8,508)
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	76,400	76,089	69,754	69,011	65,378	67,175	65,238	69,289	68,082	68,128	67,125	67,280	67,596	67,596
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 110,445	$ 110,134	$ 103,799	$ 103,056	$ 99,423	$ 101,220	$ 99,283	$ 103,334	$ 102,127	$ 102,173	$ 101,170	$ 101,325	$ 101,641	$ 101,641
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

White Birch Paper Holding Company- CANADA ONLY
13 Weekly Cash Flow Forecast
Weeks Ended April 27 - July 20, 2012

CONFIDENTIAL

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 April 21 to July 20, 2012.

  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
- Except for restructuring professional fees (as discussed below), 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.
- Restructuring professional fees for the week ended May 11, 2012 includes approximately $2.0 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee
- Prior service cost component of pension contributions in Canada of CAD $1.5 million beginning with the February payments are suspended until emergence - cash 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.
- 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.

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 be reborrowed (subject to the prior written consent of the Majority Lenders)
- 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.
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company.
- Liquidity reflected at any given week includes unused DIP commitment

6 **Assumes spot rate of C$0.98 to US $1.00 throughout the forecast period**

7 **Stadacona mill closed (effective Jan. 12, 2012)**
Full production at all other mills

8

Assumes no payment will be made for notice, severance or other similar labour cost in connection with the closure of the Stadacona mill, as the initial order contemplates these will be dealt with through the plan of arrangement.

9 **This Cash Flow Forecast is subject to approval by the Court**

Appendix E – Correspondence pertaining to the purported short payment of pension contributions in January 2012

TRUDEL NADEAU AVOCATS S.E.N.C.R.L.

† Me Louis-Claude Trudel (1952-2008)

Montréal, le 5 avril 2012

PAR TÉLÉCOPIEUR : 1-819-986-4326

Me Yves Saint-André
ysaint-andre@trudelnadeau.com

300, rue Léo-Pariseau
Bureau 2500
Montréal (Québec)
H2X 4B7

Téléphone : (514) 849-5754
Télécopieur : (514) 499-0312

www.trudelnadeau.com

Information :
info@trudelnadeau.com

PAPIERS WHITE BIRCH, DIVISION STADACONA S.E.C.
À l'attention de : M. Michel Massé
Vice-président - contrôle et administration
Division canadienne
2, rue Montréal Ouest
Gatineau (Québec) J8W 2E1

Objet : Solde impayé de la cotisation d'exercice de l'employeur pour le mois de janvier 2012 au Régime de retraite des employés syndiqués de Stadacona S.E.C. (numéro d'enregistrement 24480)
Notre dossier : 37758

Monsieur,

Nous sommes les procureurs du Comité de retraite des employés syndiqués de Stadacona relativement au dossier identifié en titre.

Il appert qu'un solde au montant de 110 633,04$ à titre de cotisation d'exercice de l'employeur est toujours en souffrance pour le mois de janvier 2012.

Selon le texte du Régime de retraite, la pratique passée et les dispositions de la convention collective en vigueur, l'employeur est tenu de verser la totalité de la cotisation d'exercice à l'égard de tous les participants actifs ayant reçu des gains que ce soit pour une heure ou plus durant le mois. La cotisation d'exercice versée par l'employeur pour le mois de janvier 2012 ne respecte pas cette obligation. Elle est incomplète et insuffisante.

Nous rappelons à votre attention que l'employeur est tenu de verser la totalité des cotisations d'exercice en vertu du paragraphe 21 de l'Ordonnance initiale émise par l'honorable juge Robert Mongeon et que le défaut de verser les cotisations d'exercice entraîne la responsabilité personnelle des administrateurs d'une personne morale suivant les articles 52 et 53 de la *Loi sur les régimes complémentaires de retraite* (L.R.Q. c. R-15.1).

Vous êtes en conséquence mis en demeure de verser le solde dû au montant de 110 633,04$ avec les intérêts au dépositaire Fiducie RBC Dexia, avec copie aux procureurs soussignés, à la Régie des rentes du Québec et à l'actuaire du Régime, dans les cinq (5) jours des présentes.

Votre attention immédiate est requise.

VEUILLEZ AGIR EN CONSÉQUENCE.

TRUDEL NADEAU AVOCATS SENCRL

YVES SAINT-ANDRÉ
YSTA/mhc

c.c . Comité de retraite des employés syndiqués de Stadacona S.E.C.
M. Jérôme Bellavance, actuaire, Mercer
M. Martin Rosenthal, Ernst & Young Inc, es qualité de Contrôleur
Me Sylvain Rigaud, Norton Rose
Me Jean Fontaine, Stikeman Elliott
Me Michel Legendre, Stikeman Elliott
M. Olivier Lafleur, Régie des rentes du Québec
Me Louis Robillard, Régie des rentes du Québec
Mme Julie Dorion, Fiducie RBC Dexia

****
*** RAPPORT EMISSION ***
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TRUDEL
NADEAU
AVOCATS
S.E.N.C.R.L.

[H] *Me Louis-Claude Trudel (1952-2008)*

Télécopie

Me Yves Saint-André
ysaint-andre@trudelnadeau.com

Place du Parc
300, rue Léo-Pariseau
Bureau 2500
Montréal (Québec)
H2X 4B7

Téléphone : (514) 849-5754
Télécopieur : (514) 499-0312

www.trudelnadeau.com

Destinataire :	PAPIERS WHITE BIRCH, DIVISION STADACONA S.E.C. **À l'attention de : M. Michel Massé**
Objet :	Solde impayé de la cotisation d'exercice de l'application pour le mois de janvier 2012 au Régime de retraite des employés syndiqués de Stadacona S.E.C. (numéro d'enregistrement 24480) Notre dossier : 37758
Date :	5 avril 2012
No de télécopieur :	1-819-986-4326

Nombre de pages transmises incluant la page de garde : 3

Papiers White Birch[MC]

Le 10 avril 2012

Trudel Nadeau
2500-300 Léo Pariseau, Place du Parc
Montréal (Québec), Canada
H2X 4B7

<u>À l'attention de Monsieur Yves Saint-André</u>

Objet : Régime de retraite des employés syndiqués de Stadacona S.E.C. (le « Régime »)

Monsieur,

Nous répondons à votre lettre du 5 avril 2012 par laquelle vous sommez Stadacona S.E.C. de verser à la caisse du Régime une somme de $110, 633.04, à titre de cotisation d'exercice pour le mois de janvier 2012.

Conformément à l'article 137 de la Loi sur les régimes complémentaires de retraite (la « Loi RCR »), l'évaluation actuarielle la plus récente du Régime fixe la cotisation d'exercice à être versée par l'employeur à 110% des cotisations versées par les participants du Régime. Pour le mois de janvier 2012, l'employeur a donc versé 110% des cotisations versées par les participants du Régime durant ce mois, et ce dans le délai prescrit par la Loi RCR.

Stadacona S.E.C. a donc respecté toutes les obligations que lui imposent le texte du Régime et la Loi RCR.

Veuillez agréer, cher monsieur, l'expression de nos salutations distinguées.

Michel Massé , CMA
Vice-président Contrôle et Administration
Papiers White Birch, Divisions Canadiennes

c.c.

Comité de retraite des employés syndiqués de Stadacona S.E.C.
M. Jérôme Bellavance, actuaire, Mercer
M. Martin Rosenthal, Ernst & Young Inc, es qualité de Contrôleur
Me Sylvain Rigaud, Norton Rose
Me Jean Fontaine, Stikeman Elliott
Me Michel Legendre, Stikeman Elliott
M. Olivier Lafleur, Régie des rentes du Québec
Me Louis Robillard, Régie des rentes du Québec
Mme Julie Dorion, Fiducie RBC Dexia

TRUDEL
NADEAU
AVOCATS
S.E.N.C.R.L.

† Me Louis-Claude Trudel (1952-2008)

Montréal, le 20 avril 2012

PAR COURRIEL

Me Sylvain Rigaud
Norton Rose Canada S.E.N.C.R.L., s.r.l.
1 Place Ville Marie
Bureau 2500
Montréal (Québec)
H3B 1R1

Me Yves Saint-André
ysaint-andre@trudelnadeau.com

300, rue Léo-Pariseau
Bureau 2500
Montréal (Québec)
H2X 4B7

Téléphone : (514) 849-5754
Télécopieur : (514) 499-0312

www.trudelnadeau.com

Information :
info@trudelnadeau.com

Objet : Solde impayé de la cotisation d'exercice de l'employeur pour le mois de janvier 2012 au Régime de retraite des employés syndiqués de Stadacona S.E.C.
(numéro d'enregistrement 24480)
Notre dossier : 37758

Cher confrère,

Nous sommes les procureurs du Comité de retraite des employés syndiqués de Stadacona S.E.C. (ci-après le « Comité de retraite »). La présente fait suite à notre entretien téléphonique de mardi le 17 avril et se rapporte à l'affaire identifiée en titre.

Tel que mentionné, il y a actuellement un différend entre Stadacona S.E.C. (ci-après « l'employeur ») et le Comité de retraite concernant le paiement de la cotisation patronale de services courants pour le mois de janvier 2012. La cotisation attendue pour ce mois était au montant de 242,542.86$. La cotisation ayant été versée par l'employeur a été au montant de 131,909.82$. Le différend se rapporte à ce solde impayé au montant de 110,633.04$.

L'article 3.01 du Régime de retraite des employés syndiqués de Stadacona (ci-après le « Régime ») prévoit que la cotisation pour services courants versée par l'employeur correspond aux cotisations jugées nécessaires par l'actuaire pour pourvoir au coût normal des prestations que les participants accumulent en vertu du Régime.

Suivant l'article 1.37 du Régime, « un mois complet de service validable sera crédité si le participant a reçu de la rémunération pour au moins une heure de travail durant ce mois ».

La convention collective, à l'article 31.06h), ajoute qu' « un mois complet de service sera crédité pour tout le mois au cours duquel un employé a reçu des gains, que ce soit pour une heure ou plus ».

Pour le mois de janvier 2012, en dépit de la mise à pied existante depuis décembre 2011, une rémunération a été versée à l'ensemble des participants leur permettant d'accumuler le mois complet de service validable. Selon les dispositions du Régime et de la convention collective, l'employeur est tenu de verser une cotisation d'exercice pour la totalité du mois de janvier 2012, soit un montant de 242,542.86$, afin de pourvoir au coût normal des prestations accumulées par les participants en vertu du Régime. La cotisation patronale ayant été versée pour ce mois est insuffisante et incomplète puisqu'elle laisse un solde impayé au montant de 110,633.04$.

Selon les instructions du Comité de retraite, l'employeur a été mis en demeure le 5 avril dernier de verser ladite somme. Une copie de cette correspondance vous été expédiée.

Le 10 avril dernier, l'employeur, par son représentant, a maintenu son refus de verser le montant réclamé. Vous avez également reçu une copie de cette réponse.

La position adoptée par l'employeur est contraire aux dispositions du Régime, aux termes de la convention collective et à la pratique passée. En effet, dans le passé, soit plus particulièrement en décembre 2009 également à l'occasion d'une mise à pied, l'employeur a versé une cotisation d'exercice pour le mois complet puisqu'une rémunération avait été versée aux participants pour une heure ou plus dans le mois. La même situation s'est reproduite en décembre 2011. L'employeur a versé la cotisation pour services courants pour le mois au complet bien que l'établissement était en situation de mise à pied depuis le 9 décembre 2011.

Dans les circonstances, il nous apparaît que le montant réclamé est dû et doit être versé sans délai à la caisse du Régime. Tel que discuté, auriez-vous l'obligeance de nous indiquer de quelle façon le Contrôleur entend traiter ce différend.

Nous rappelons à votre attention que, selon l'article 6(6) de la LACC, cette réclamation ou dette n'est pas compromise par le Plan d'arrangement qui sera éventuellement déposé.

Il convient également de souligner que le montant dû porte intérêt à compter de la date du défaut au taux prévu par l'article 44 de la *Loi sur les régimes complémentaires de retraite* (L.R.Q. ch. R-15.1).

Enfin, le soussigné sera en vacances à compter du 21 avril pour être de retour le 14 mai prochain. Dans l'intervalle, nous vous prions de communiquer avec Me Louise-Hélène Guimond (lhguimond@trudelnadeau.com) qui assume la relève dans ce dossier.

Dans l'attente de vos nouvelles, veuillez recevoir l'expression, cher confrère, de nos sentiments distingués.

TRUDEL NADEAU AVOCATS SENCRL

YVES SAINT-ANDRÉ
YSTA/mr

c.c . Comité de retraite des employés syndiqué de Stadacona S.E.C.
M. Jérôme Bellavance, actuaire, Mercier
Me Jean Fontaine, Stikeman Elliot
Me Louis Robillard, Régie des rentes du Québec
Me Louise-Hélène Guimond

Appendix F – Status report from WB Group and BDWBI – April 23, 2012

April 23, 2012

Delivered

Sylvain Rigaud
Barrister & Solicitor
Norton Rose Canada
Suite 2500, 1 Place Ville Marie
Montréal Quebec H3B 1R1

Martin Rosenthal
Ernst & Young LLP
Bureau 1900
800 boul. René-Lévesque Ouest
Montreal QC H3B 1X9

Dear Sirs:

Re: White Birch Paper Holding Company et al (the "Company")
SCM: 500-11-038474-108

As you will recall, at the March 29, 2012 extension hearing, the Court was advised that (i) the unionized workers at Stadacona had voted to ratify the final offer from the Debtors, conditional on Stadacona re-opening, and (ii) the unionized workers at Soucy and PML had voted to ratify the agreements in principle which had been reached with the Debtors in February of 2012. It has also long been known that the reopening of Stadacona is conditional on the Debtors and the purchaser receiving adequate short term and long term financial support from the Province of Quebec and from the City of Quebec. At the conclusion of the hearing, Judge Mongeon directed that, by April 23, 2012 at 5:00 pm, the Debtors are to advise the Monitor and the Union whether sufficient government financial assistance had been obtained to re-open Stadacona, and the Union is to advise the Debtors and the Monitor whether there is a resolution to the Regie's technical issue concerning the Union's request related to a potential future wind up of the new pension plan.

This letter is intended to serve as the Debtors' and purchaser's advice concerning the state of the government assistance required to re-open Stadacona.

Since the date on which the Union ratified the Stadacona offer, management of White Birch has been in discussions with the provincial and municipal governments attempting to finalize the measures they would be prepared to provide to assist in re-opening Stadacona. Although some level of near-term cost savings have been offered, the most significant assistance offered by the Government of Quebec has been in the form of loans for long-term projects which would improve the mill's long-term competitive position. Although significant progress has been made, as of the time of writing this letter, agreements with the provincial government are not yet in place. As has been the case since the commencement of discussions involving the City of Quebec in January 2012, the City of Quebec continues to be unwilling to consider any financial assistance for the Stadacona mill. Accordingly, the level of government assistance for obtaining near-term cost savings under discussion is significantly less than what was expected by White

Birch and these discussions continue. Given the status of the discussions with the provincial and municipal governments, the re-opening of Stadacona continues to be evaluated. If sufficient financial assistance can be documented with the governments, and if the Regie issues can be resolved, it is possible that the Stadacona mill could be re-opened within approximately 1 month.

In addition to the update on discussions with the governments, we wanted to take this opportunity to update the Monitor on the status of our efforts to keep moving forward the documents necessary to satisfy the condition to Closing contained in Section 8.3(f) of the Asset Purchase Agreement. In that regard, we have prepared drafts of the proposed collective agreements for each of Soucy and PML, which have been or will be delivered to the respective locals today. As well, we have drafted a template of the consent and release documents for each of the retirees and the active employees of Soucy and PML, which will be sent to the Union's representatives later today. We have prepared a draft letter of understanding to be appended to the collective agreement to deal with the terms of the new pension plans to be put in place after Closing. This letter of understanding will be distributed to the Union upon obtaining a mutually satisfactory resolution of the Regie's technical issue. The new pension plans will not be finalized, registered with the Regie and in effect on Closing, so we will need the letter of understanding completed before Closing. In that regard, there is a meeting scheduled for Friday, April 27, 2012, in Montreal between the Debtors, the purchaser, the Unions and the conciliators to discuss the technical issue and other issues related to the pension plans. We will keep you apprised of developments.

Should you have any questions, please let us know.

Yours very truly,

Jean Fontaine
STIKEMAN, ELLIOTT LLP
Counsel for the Debtors

L. Joseph Latham
GOODMANS LLP
Co-Counsel for BD White Birch Investments Inc.

Jean-Yves Simard
LAVERY, de BILLY LLP
Co-Counsel for BD White Birch Investments Inc.

cc: Yves Saint-Andre, *Trudel Nadeau Avocats*

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Appendix G – Status report from SCEP
April 23, 2012

TRUDEL
NADEAU
AVOCATS
S.E.N.C.R.L.

† Me Louis-Claude Trudel (1952-2008)

Montréal, 23 avril 2012

PAR COURRIEL

Honorable Robert Mongeon, J.C.S.
Palais de justice de Montréal
1, rue Notre-Dame est, bureau 17.71
Montréal (Québec)
H2Y 1B6

Me Louise-Hélène Guimond
lhguimond@trudelnadeau.com

300, rue Léo-Pariseau
Bureau 2500
Montréal (Québec)
H2X 4B7

Téléphone : (514) 849-5754
Télécopieur : (514) 499-0312

www.trudelnadeau.com

Information :
info@trudelnadeau.com

Objet : Dans l'affaire du plan d'arrangement de White Birch Paper Holding Company et als
No : 500-11-038474-108
N/Dossier : YSA-37579

Monsieur le juge,

Conformément à vos instructions lors de l'audience du 29 mars dernier, nous désirons vous faire part des derniers développements impliquant la Régie des rentes du Québec.

Nous tenons à vous informer que les parties sont toujours en discussions afin de régler certains aspects. Des pistes de solutions ont été échangées et nous espérons que les derniers échanges seront fructueux.

La Régie a soumis le 20 avril en matinée à l'actuaire de BDWB ses dernières précisions concernant la proposition déjà discutée. Si cette proposition est acceptée, il ne restera qu'à résoudre un dernier élément impliquant la Régie.

Nous désirons également souligner à votre attention que les parties doivent se rencontrer le 27 avril prochain en présence du conciliateur. La question des régimes de retraite est déjà à l'ordre du jour. Ce sera peut être l'occasion de ficeler certains détails ou de finaliser les textes.

Nous transmettons copie de la présente correspondance à nos collègues.

Nous demeurons à votre entière disposition pour tout complément d'information.

Veuillez recevoir, monsieur le juge, l'expression de notre plus haute considération.

TRUDEL NADEAU AVOCATS sencrl

Signée par Nancy Piché, adjointe juridique pour :
Louise-Hélène Guimond
LHG/np

C.c. : Me Sylvain Rigaud
Me Jean Fontaine
Me Matthew Liben
Me Jean-Yves Simard
Me Jocelyn Morency
Me Tina Hobday
Me Gerry Apostolatos
Me Martin Desrosiers
M. Renaud Gagné, SCEP-Québec
(C.c. par courriel)