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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 – AUGUST 17, 2011

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 August 22, 2011.

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

[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.

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 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 August 22, 2011, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until November 18, 2011.

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. As well, the present report comments the results for the second quarter of fiscal 2011, following the recent finalization by the Companies of their financial statements for the 6 months ended June 30, 2011. This report is presented under the following headings:

   6.1. Introduction and background;

   6.2. Terms of reference and disclaimer;

   6.3. Internal Financial Statements for the 6 months ended June 30, 2011;

   6.4. Status of Proceedings in the U.S.;

   6.5. Status of Proceedings in Canada;

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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*.

6.6. Current activities; and

6.7. Conclusions and recommendations.

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.

INTERNAL FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED JUNE 30, 2011

9. The Companies' fiscal year ends on December 31. The internally prepared financial statements for the six months ended June 30, 2011 are attached to this report as Appendix A. While the financial statements are not complete as they do not include all of the disclosure that is required to conform with generally accepted accounting principles, we have been informed that Management considers that the internally prepared financial statements provide reasonable information on the financial position and results of operations.

10. The financial statements indicate the following:

    10.1. The assets are reported to have a carrying value of US$782.9 million, comprised primarily of current assets (cash, accounts receivable, inventories and other current assets) of US$290.0 million, fixed assets of US$466.0 million and investments in affiliated entities (SP Newsprint) of US$26.0 million. The liabilities are reported to total US$1,022.3 million, including US$164.4 million in pension and other post retirement benefit obligations, leaving an equity deficit of US$239.4 million.

    Based on our understanding of the security granted by the Companies to their lenders, the interim financing lender has a Court ordered prior ranking charge and security as per the terms of the Initial Order creating the Interim Financing Charge (ranking after only the Administration Charge and the D&O Charge) over all assets and undertakings of the Companies, in support of its debt of approximately US$121.0 million at June 30, 2011. The conventional first ranking term lenders, swap counterparties and conventional second ranking term lenders have security over all assets and undertakings of the Companies, except for the cash, accounts receivable and inventories, which have a carrying value of approximately US$263.7 million[7].

    We point out that while the Companies report that the assets have a carrying value of US$782.9 million, the results obtained from the auction held in connection with the Sales and Investor Solicitation Process ("**SISP**") undertaken by the Companies suggest that the assets have a realizable value far lower than their current reported carrying value. Based on the transaction that is presently contemplated with BD White Birch Investments LLC ("**BDWBI**"), the assets' value would be in the US$200 million to US$250 million range[8]. The transaction with BDWBI is outlined in the Monitor's reports dated August 10 and September 23, 2010.

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[7] We have excluded cash collateral of US$7.1 million from this amount, as we expect such cash collateral would be required to discharge the obligations to which it relates. We understand that the accounts receivable, cash and inventories of Bear Island may be encumbered by the security of the first term lenders and swap counterparties, through a replacement charge granted by the U.S. Court to provide adequate protection to the lenders with a senior charge, however we understand such charge would only apply inasmuch as the security granted in favour of the interim financing lender affects the security that is otherwise available to secure the debt to the first term lenders and swap counterparties.

[8] The sale price (and thus the value of the assets) cannot be determined with greater accuracy, in view of the fact that the transaction with BDWBI is based on the purchase of the assets as they will exist at closing, and that the sale price takes into consideration contract cure costs which are not yet determined.

10.2. The Companies report a net loss before taxes of US$10.2 million for the 6 months ended June 20, 2011, after taking into consideration a gain on foreign currency translation of US$16.4 million. Although a net loss was incurred, the results from operations in the first half of fiscal 2011 represent a significant improvement over the reported results for the same period last year, in which the reported loss was US$66.3 million after taking into consideration a loss on foreign currency translation of US$8.0 million.

10.3. The net losses from operations do not translate into an equivalent cash outflow, in view of the fact that some of the components of the revenues and expenses do not involve an outflow of cash. The equivalent cash loss from operations, after adjusting for the non-cash items, is reported to be US$157,000.

While there has not been any significant erosion in cash attributable to the operations, the cash position deteriorated by approximately US$10.5 million in the 6 months ended June 30, 2011. The deterioration in cash is attributed primarily to changes in working capital account balances and the capital investment program to maintain the fixed assets, resulting in a use of cash of US$4.7 million and US$5.3 million respectively.

11. The Companies are continuing to incur losses from operations, and is experiencing some cash erosion, because of the need to maintain the fixed assets. While the cash erosion causes a deterioration in the Companies' financial position, we consider that this deterioration is not significant in view of the size of the enterprise and the value of the assets.

STATUS OF PROCEEDINGS IN THE U.S.

12. As indicated earlier in this report, Bear Island commenced a case under the provisions of Chapter 11 of the Code on February 24, 2010. The exclusivity period provided for under the Code[9], during which a debtor has the exclusive right to file a plan, has been extended on several occasions, but is scheduled to expire on August 24, 2011. In view of the provisions of the Code, this exclusivity period may not be extended any further[10].

13. We are informed that as a result of the impending expiry of the exclusivity period, Bear Island is preparing and expects to file a plan imminently, together with the required disclosure statement and other documentation required to solicit votes.

14. We are further informed that Bear Island's plan is intended to be essentially a liquidation plan that is conditional upon the occurrence of a closing of a transaction with BDWBI, and that addresses the principles of the distribution of the proceeds from the sale amongst the creditors of the U.S and Canadian estates.

15. We understand from our discussions with the financial advisers of Bear Island that the issue of the distribution of the proceeds of the sale amongst the creditors is essentially the only aspect of the administration of the proceedings under the Code that would remain after a sale occurs. We have been informed that the right to contest preferences or other void or voidable transactions

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9 *U.S. Code,* title 11, chapter 11, *U.S. Code,* title 11, chapter 11, §1121(b).

10 *U.S. Code,* title 11, chapter 11, *U.S. Code,* title 11, chapter 11, §1121(d).

will not subsist, since the proposed asset sale agreement between the Companies and BDWBI provides for a sale and transfer of these rights to BDWBI, as regards trade payables[11]. As such, the only right that would subsist would be a right to contest transactions that are void or voidable under the Code[12], in respect of transactions other than with trade suppliers. We have been informed that to date, no proceeding has been initiated by or on behalf of the Bear Island estate in connection with any such void or voidable transaction, and that there is a statutory delay within which a proceeding must be initiated[13].

STATUS OF PROCEEDINGS IN CANADA

16. 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 May 12, 2011, and grants an extension until August 22, 2011.

17. As mentioned in the most recent reports of the Monitor[14], the Companies' restructuring activities, at this stage, continue to be focused on the sale process, as the Companies are preparing for the closing of the transaction that was approved by the Court by order made on September 28, 2010[15], which transaction contemplates the sale of substantially all of the Companies' assets and undertakings to BD White Birch Investments Inc. and certain of its subsidiaries ("**BDWBI**").

18. The conditions to closing have not yet been fulfilled. We understand from our discussions with Management and counsel for BDWBI that negotiations have taken place with the union representing the employees, but that an agreement has not yet been reached on the terms of a new collective bargaining agreement. We understand that the main hurdle is still the issue of the pension benefits on a going forward basis.

19. In view of the fact that an agreement has not yet been reached on a new collective bargaining agreement, the status of the closing of the transaction with BDWBI is essentially the same as that described in our report dated May 9, 2011. The only progress of which we are aware is the fact that the parties have met and held discussions, that there is a set schedule of meetings commencing in early September to advance the discussions towards a resolution, and that the Quebec Minister of Economic Development, Innovation and Export Trade, is aware of the issues and is monitoring the discussions between the parties.

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[11] Paragraph 2.1.1(x) of the Asset Sale Agreement.

[12] *U.S. Code,* title 11, chapter 11, *U.S. Code,* title 11, chapter 11, §544 to §558.

[13] *U.S. Code,* title 11, chapter 11, *U.S. Code,* title 11, chapter 11, §546.

[14] Reports of the Monitor dated December 7, 2010, February 18 and May 9, 2011, each addressing requests by the Companies for an extension of the delay to file a plan of arrangement.

[15] A motion for permission to appeal from this judgment was filed on October 15, 2010, and the Court of Appeal denied permission to appeal by judgment rendered on October 25, 2010.

CURRENT ACTIVITIES

20. 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 May 9, 2011.

Cash flow results/Interim Financing

21. To date, WB Group borrowed US$121 million against the delayed draw term loan.

22. The most recent cash flow projections filed with the Court were prepared for the 15 weeks ending August 12, 2011. For ease of reference, these cash flow projections are attached hereto as Appendix B.

23. WB Group and its advisors prepared a comparison of the actual and projected results, for the 14 weeks ended August 5, 2011, annexed to this report as Appendix C. 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.

24. Essentially, the comparison of actual and projected results for the 14 weeks ended August 5, 2011 indicates that while the projections contemplated a negative cash flow of US$13.6 million for the 14 week period, the actual results yielded a negative cash flow of US$1.5 million, or a favourable variance of US$12.1 million. As a result, WB Group's cash on hand stands at approximately US$64.9 million, as at August 5, 2011. The variance is attributed primarily to the following:

    24.1. Higher than projected collection of accounts receivable, by approximately US$5.0 million, attributed to a timing difference in collections.

    The accounts receivable were projected to be US$93.1 million as at August 5, 2011, and they are reported to amount to US$92.8 million as at that date. If the variance were strictly related to faster cash receipts, the variance would translate into lower accounts receivable by a like amount. The difference between the actual and projected accounts receivable, in view of the favourable variance in the cash receipts, suggests that the revenues were slightly higher than anticipated during the projection period, by approximately US$4.7 million.

    24.2. Lower than projected disbursements, by approximately US$7.1 million[16]. 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$87.5 million as at August 5, 2011, and they are reported to amount to US$86.4 million as at that date.

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

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. It should be noted however that the projections for the 15 weeks ending August 12, 2011 included a provision of US$8.0 million in early June 2011, in connection with professional fees that will be due and payable contemporaneously with the closing of a sale transaction with BDWBI. Since the closing of the transaction has not yet occurred, the payment of these transaction related fees has been delayed. This explains the major part of the decrease in costs as compared with the projections, and as a result it appears that the Companies' costs were slightly higher than the projections.

25. The comparison of actual and projected results (Appendix C) also presents data compiled to isolate the results of WB Canada. The results for WB Canada indicate a favourable variance of US$0.4 million in receipts, and a favourable variance of US$2.7 million in disbursements, for a net favourable variance of US$3.1 million in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 24.

26. Overall, the decrease in cash balances, offset in part by an increase in accounts receivable and inventories, suggests that the Companies' position deteriorated slightly (by US$4.3 million) during the period. 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

27. Management provided us with an updated cash flow projection for WB Group, for the 15 weeks ending November 18, 2011, and these cash flow projections are attached to this report as Appendix D[17]. The opening cash position on these cash flow projections represents the actual cash on hand as of August 5, 2011. The remainder of the amounts represents a projection, as the actual results for the week of August 12, 2011 have not yet been compiled.

28. 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.

29. As was the case for the previous versions of the cash flow projections, these provide for a continuing payment of a management fee to the WB Group's ultimate parent company. This management fee is calculated to be 3% of sales, and is paid to the parent company in exchange for services rendered by it to the Companies, including providing sales, credit and collection, technical services, executive management (including providing a management team paid by the

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[17] Management has also provided us with an updated cash flow projection for WB Canada, for the 15 week period ending August 12, 2011, extracted from the above-mentioned projection for the WB Group, and prepared on the same basis. This cash flow projection is attached as Appendix E.

parent company and not WB Group), treasury and risk management, budgeting and forecasting, and coordination of financial reporting. The management fee is calculated and payable in virtue of an agreement that exists since 2005 and has been approved by the Companies' lenders, both before the inception of the proceedings under the CCAA and after, through the Interim Financing Agreement.

CONCLUSIONS AND RECOMMENDATIONS

30. The Initial Order as previously extended is scheduled to expire on August 22, 2011, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until November 18, 2011.

31. The Monitor believes it is reasonable and appropriate to grant the extension requested in order to allow the discussions between the Companies, BDWBI and the union representing the employees to continue, to see the transaction close as soon as possible.

32. 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 November 18, 2011, to allow WB Group to complete the sale process, would not be prejudicial to the creditors of WB Group.

33. 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.

34. Based on the foregoing, the Monitor recommends that the Court grant an extension of the stay of proceedings as requested by WB Group, namely up to and including November 18, 2011.

35. Given the delays to date since the execution and final approval of the Asset Sale Agreement by the Québec Court of Appeal, the Monitor believes that the Court should request that the attorneys for the Companies, the CEP and BDWBI attend periodic conferences with the Court to update it on the progress of the negotiations.

All of which is respectfully submitted this 17th day of August 2011.

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 – Internal financial statements for the 6 months ended June 30, 2011

WHITE BIRCH PAPER COMPANY
CONSOLIDATED
FINANCIAL STATEMENTS

AS OF JUNE 30, 2011

(IN UNITED STATES DOLLARS)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

BALANCE SHEET
(IN U.S.$)
JUNE 30, 2011

ASSETS

CURRENT ASSETS :		
Cash		$ 66,609,758
Cash Collateral		7,154,078
Accounts Receivable - Trade		91,215,507
Accounts Receivable - Miscellaneous		13,116,792
Inventory:		
Raw Materials & Stores	$ 62,212,956	
Finished	30,512,818	92,725,774
Prepaid Expenses		18,148,264
Timberdeeds		21,951
R&D Credit Receivable		311,100
Due from Affiliates		665,220
Total Current Assets		289,968,444
PROPERTY, PLANT AND EQUIPMENT AT COST	$ 1,236,614,888	
Less - Accumulated Depreciation	(770,644,186)	465,970,702
OTHER LONG TERM ASSETS		421,282
LONG TERM INVESTMENT		583,313
INVESTMENT IN SP NEWSPRINT		25,950,951
DEFERRED FINANCING COSTS		0
Total Assets		$ 782,894,692

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities		$ 44,554,371
Pre-Petition Account Payable		55,301,906
Current Portion Long-Term Debt		447,028
Accrued Service Charges		786,902
Income Taxes Payable		26,267,613
Derivative Contracts		51,807,858
DIP Loan		120,955,000
Accrued Interest		29,538,853
Total Current Liabilities		329,659,531
NON-CURRENT PENSION AND POSTRETIREMENT		92,861,412
DEFERRED PENSION COSTS		71,500,032
LONG-TERM DEBT:		
First Lien Term Loan	$ 428,293,961	
Second Lien Term Loan	100,000,000	
Capitalized Leases	0	528,293,961
Total Liabilities		1,022,314,936
STOCKHOLDERS' EQUITY		
Contributed Capital		129,642,930
Retained Earnings		(309,914,891)
Accumulated Other Comprehensive Loss		(58,671,218)
Translation Adjustment		(477,065)
Total Stockholders' Equity		(239,420,244)
Total Liabilities and Stockholders' Equity		$ 782,894,692

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF INCOME
(IN U.S.$)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	2011 YEAR TO DATE	2010 YEAR TO DATE
SALES		
Gross	$ 405,421,769	$ 356,776,542
Freight	(47,778,767)	(41,488,521)
Net Sales	357,643,002	315,288,021
COST OF GOODS SOLD	(357,084,477)	(336,859,334)
Gross Profit	558,525	(21,571,313)
GENERAL AND ADMINISTRATIVE EXPENSE		
Service Fee	(12,162,591)	(10,703,395)
Other	(5,632,697)	(11,365,257)
Operating Profit (Loss)	(17,236,763)	(43,639,965)
OTHER INCOME (EXPENSE)		
Interest Expense	(8,968,151)	(14,413,812)
Gain (Loss) on Currency Translation	16,365,746	(7,974,682)
Deferred Financing	0	0
Interest Income	79,613	15,478
Other Income (Expense)	(399,451)	(262,985)
Net Income (Loss) from Operations	(10,159,006)	(66,275,966)
TAX PROVISION	(297,801)	1,462,183
Net Income (Loss)	(10,456,807)	(64,813,783)
RETAINED EARNING BEGINNING OF PERIOD	(299,458,084)	(243,640,801)
PRIOR PERIOD ADJUSTMENT	- 0 -	- 0 -
DISTRIBUTION DURING THE PERIOD	- 0 -	- 0 -
RETAINED EARNING END OF PERIOD	$ (309,914,891)	$ (308,454,584)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF CASH FLOWS

(IN U.S.$)

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

CASH PROVIDED BY (USED FOR):

		2011	2010
OPERATIONS			
Net Income (Loss)		$ (10,456,807)	$ (64,813,783)
Translation Adjustment		(7,206,761)	3,272,921
Accumulated Other Comprehensive Loss		0	0
Items not affecting cash			
Effect of exchange rate fluctuations on cash		(13,178,605)	5,241,470
Depreciation		28,973,121	29,265,998
Gain on sale of Property, Plant and Equipment		0	0
Amortization of Deferred Costs		1,361,802	2,279,964
Derivative Contracts		0	0
Deferred Income Taxes		0	0
Deferred Pension Costs		(2,615,879)	(3,461,636)
Non-current Pension and Postretirement		3,008,817	(1,128,306)
Other Long Term Assets		(23,588)	10,572
ITC & R&D Credit Receivable		0	0
Goodwill		0	0
Property, Plant and Equipment (ITC & Capital Tax)		0	0
Long Term Investment		(18,900)	7,088
Provided from operations		(156,800)	(29,325,712)
WORKING CAPITAL			
Accounts Receivable Trade	$ (180,796)		
Accounts Receivable Miscellaneous	581,519		
Inventory	(15,693,342)		
Prepaid Expenses	(2,220,389)		
Timberdeeds	30,943		
Due from Affiliates	(207,449)		
R&D Credit Receivable	(10,080)		
Deferred Costs	0		
Income Taxes Payable	1,141,566		
Accounts Payable and Accrued Liabilities	11,953,885		
Accrued Service Charges	40,379		
Due to Affiliates	0		
Accrued Interest	(108,657)		
Cash provided by (used for) noncash working capital		(4,672,421)	3,425,835
		(4,829,221)	(25,899,877)
FINANCING			
Increase in Long-Term Debt		0	122,955,000
Decrease in Long-Term Debt		(417,527)	(46,199,460)
		(5,246,748)	50,855,663
INVESTMENT			
Disposal of Property, Plant and Equipment		363,509	0
Additions to Property, Plant and Equipment		(5,658,849)	(2,004,304)
		(10,542,088)	48,851,359
DISTRIBUTION TO BRANT PAPER COMPANY		0	0
INCREASE (DECREASE) IN CASH DURING THE PERIOD		(10,542,088)	48,851,359
CASH BEGINNING OF PERIOD		84,305,924	32,146,612
CASH END OF PERIOD		$ 73,763,836	$ 80,997,971

Appendix B – Cash flow projections of WB Group - 15 weeks ending August 12, 2011

White Birch Paper

15-Week Cash Flow Forecast

Weeks Ending May 6 through August 12, 2011

05/05/2011

Confidential

White Birch Paper CONSOLIDATED CONFIDENTIAL

15-Week Cash Flow Forecast

Weeks Ended May 6 - August 12, 2011

In $000's

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	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	15 Week
	5/6	5/13	5/20	5/27	6/3	6/10	6/17	6/24	7/1	7/8	7/15	7/22	7/29	8/5	8/12	Total
Operating Receipts																
Bear Island	$ 2,400	$ 1,960	$ 3,830	$ 2,332	$ 2,994	$ 2,511	$ 3,450	$ 2,395	$ 3,050	$ 2,736	$ 2,400	$ 4,145	$ 2,500	$ 3,022	$ 2,624	$ 42,349
Stadacona	6,900	3,926	7,755	10,078	7,599	8,784	6,688	12,045	5,822	6,775	7,721	6,096	10,162	6,711	7,780	114,840
F. F. Soucy	1,815	2,293	2,671	4,571	3,034	3,755	2,957	2,415	4,902	2,402	2,409	4,773	3,032	3,968	3,078	48,076
Papier Masson	2,990	3,129	3,302	2,441	3,495	2,406	2,782	3,035	4,728	3,100	2,898	3,729	2,428	4,112	2,753	47,329
Total Operating Receipts	14,106	11,307	17,558	19,422	17,123	17,456	15,877	19,890	18,502	15,013	15,427	18,743	18,122	17,813	16,234	252,594
Operating Disbursements																
Fiber	(3,387)	(3,305)	(3,297)	(3,147)	(3,149)	(3,204)	(3,324)	(3,280)	(3,103)	(3,358)	(3,540)	(3,547)	(3,112)	(3,126)	(3,281)	(49,160)
Chemicals	(956)	(718)	(1,006)	(781)	(734)	(919)	(983)	(784)	(715)	(946)	(966)	(770)	(765)	(725)	(933)	(12,703)
Electricity	(3,376)	(3,291)	(3,291)	(4,575)	(3,288)	(3,397)	(3,302)	(4,319)	(3,045)	(3,407)	(3,308)	(4,328)	(3,506)	(3,167)	(3,402)	(53,004)
Recycle Material	(1,258)	(1,299)	(1,317)	(1,359)	(1,294)	(1,294)	(1,294)	(1,294)	(1,344)	(1,259)	(1,259)	(1,259)	(1,344)	(1,319)	(1,277)	(19,472)
Other Materials and Other Utilities	(2,006)	(2,131)	(2,056)	(2,194)	(1,942)	(2,062)	(2,029)	(2,044)	(2,208)	(2,049)	(2,086)	(1,980)	(2,188)	(2,075)	(2,056)	(31,106)
Property Taxes	-	(5)	(763)	(220)	-	-	(5)	(272)	-	-	(5)	(12)	-	-	-	(1,283)
Salaried and Hourly Payroll- Gross	(1,405)	(1,628)	(1,523)	(1,616)	(1,466)	(1,613)	(1,523)	(1,701)	(1,296)	(1,715)	(1,509)	(1,613)	(1,245)	(1,381)	(1,664)	(22,899)
Pension Plan and Group insurance	(190)	(3)	(155)	(641)	(437)	(3)	(155)	(641)	(323)	(194)	(2)	(794)	(323)	(380)	(98)	(4,339)
Freight	(2,486)	(2,324)	(2,177)	(2,360)	(2,124)	(2,352)	(2,478)	(2,359)	(2,409)	(2,407)	(2,484)	(2,309)	(2,452)	(2,266)	(2,379)	(35,366)
Maintenance Equipment	(272)	(289)	(452)	(359)	(313)	(250)	(316)	(241)	(260)	(276)	(247)	(244)	(244)	(287)	(263)	(4,310)
Major Maintenance	(239)	(233)	(308)	(318)	(131)	(251)	(270)	(687)	(106)	(122)	(321)	(127)	(177)	(119)	(186)	(3,593)
Capital Expenditures	(19)	(70)	(345)	(157)	(193)	(397)	(294)	(370)	(284)	(316)	-	-	-	(239)	(357)	(3,041)
Professional Fees	(27)	(28)	(50)	(50)	(55)	(55)	(25)	(50)	(30)	(50)	(30)	(25)	(25)	(30)	(53)	(583)
Leases	(85)	(3)	(31)	(1)	-	(86)	(35)	-	-	(88)	(33)	-	(2)	-	(87)	(452)
Other	(52)	(52)	(152)	(77)	(102)	(127)	(332)	(27)	(102)	(77)	(102)	(332)	(127)	(102)	(77)	(1,842)
Management Fee	-	-	(707)	-	(1,315)	-	(707)	-	(1,315)	-	(707)	-	(1,315)	-	-	(6,065)
Total Operating Disbursements	(15,757)	(15,379)	(17,632)	(17,854)	(16,545)	(16,010)	(17,072)	(18,069)	(16,541)	(16,265)	(16,600)	(17,341)	(16,825)	(15,216)	(16,113)	(249,218)
Net Operating Cash Flow	(1,651)	(4,072)	(73)	1,568	578	1,446	(1,195)	1,821	1,961	(1,252)	(1,172)	1,402	1,297	2,597	122	3,376
Non Operating Cash Flow and Restructuring																
Restructuring Professional Fees	(221)	(435)	(45)	(126)	(7,970)	-	(105)	-	-	(1,300)	(105)	-	-	(1,300)	-	(11,606)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(1,293)	-	-	-	(1,325)	-	-	-	-	(1,325)	-	-	-	(1,325)	-	(5,268)
Total Non-Operating Cash Flow and Restructuring	(1,514)	(435)	(45)	(126)	(9,295)	-	(105)	-	-	(2,625)	(105)	-	-	(2,625)	-	(16,874)
Net Operating Receipts (Disbursements)	$ (3,165)	$ (4,507)	$ (118)	$ 1,442	$ (8,717)	$ 1,446	$ (1,300)	$ 1,821	$ 1,961	$ (3,877)	$ (1,277)	$ 1,402	$ 1,297	$ (28)	$ 122	$ (13,499)
BEG. BOOK CASH BALANCE	$ 66,336	$ 63,172	$ 58,665	$ 58,547	$ 59,989	$ 51,272	$ 52,717	$ 51,418	$ 53,238	$ 55,200	$ 51,323	$ 50,045	$ 51,447	$ 52,744	$ 52,716	$ 66,336
Net Receipts (Disbursements)	(3,165)	(4,507)	(118)	1,442	(8,717)	1,446	(1,300)	1,821	1,961	(3,877)	(1,277)	1,402	1,297	(28)	122	(13,499)
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	63,172	58,665	58,547	59,989	51,272	52,717	51,418	53,238	55,200	51,323	50,045	51,447	52,744	52,716	52,838	52,838
Unused DIP Commitment	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045
LIQUIDITY	$ 64,217	$ 59,710	$ 59,592	$ 61,034	$ 52,317	$ 53,762	$ 52,463	$ 54,283	$ 56,245	$ 52,368	$ 51,090	$ 52,492	$ 53,789	$ 53,761	$ 53,883	$ 53,883
DIP TERM LOAN BALANCE																
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955

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
- 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, 2010
- 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
- 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 June 3, 2011 includes approximately $3.4 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 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
- 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 - **Assumes full production at all mills based on latest production schedule**

5 - **Preliminary and subject to change**

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

Weeks Ending May 6 through August 12, 2011

05/05/2011

Confidential

White Birch Paper Holding Company

CONFIDENTIAL

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

Weeks Ended May 6 - August 12, 2011

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	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	15 Week
	5/6	5/13	5/20	5/27	6/3	6/10	6/17	6/24	7/1	7/8	7/15	7/22	7/29	8/5	8/12	Total
Operating Receipts																
Stadacona	6,900	3,926	7,755	10,078	7,599	8,784	6,688	12,045	5,822	6,775	7,721	6,096	10,162	6,711	7,780	114,840
F. F. Soucy	1,815	2,293	2,671	4,571	3,034	3,755	2,957	2,415	4,902	2,402	2,409	4,773	3,032	3,968	3,078	48,076
Papier Masson	2,990	3,129	3,302	2,441	3,495	2,406	2,782	3,035	4,728	3,100	2,898	3,729	2,428	4,112	2,753	47,329
Total Operating Receipts	11,706	9,347	13,729	17,090	14,129	14,945	12,427	17,495	15,452	12,277	13,027	14,598	15,622	14,791	13,611	210,245
Operating Disbursements																
Fiber	(3,151)	(3,085)	(3,077)	(2,927)	(2,929)	(2,984)	(3,104)	(3,060)	(2,883)	(3,138)	(3,320)	(3,327)	(2,892)	(2,906)	(3,061)	-45,844
Chemicals	(786)	(549)	(605)	(549)	(560)	(753)	(580)	(559)	(549)	(773)	(569)	(569)	(569)	(555)	(763)	-9,291
Electricity	(2,760)	(2,760)	(2,760)	(3,733)	(2,760)	(2,760)	(2,760)	(3,765)	(2,760)	(2,760)	(2,760)	(3,765)	(2,760)	(2,760)	(2,760)	-44,386
Recycle Material	(984)	(984)	(984)	(984)	(984)	(984)	(984)	(984)	(984)	(984)	(984)	(984)	(984)	(984)	(984)	-14,763
Other Materials and Other Utilities	(1,740)	(1,784)	(1,749)	(1,881)	(1,736)	(1,731)	(1,782)	(1,765)	(1,912)	(1,702)	(1,833)	(1,736)	(1,831)	(1,824)	(1,717)	-26,723
Property Taxes	-	-	(751)	(110)	-	-	-	(272)	-	-	-	-	-	-	-	-1,134
Salaried and Hourly Payroll- Gross	(1,014)	(1,375)	(905)	(1,378)	(1,007)	(1,375)	(905)	(1,448)	(905)	(1,477)	(905)	(1,375)	(1,007)	(956)	(1,426)	-17,459
Pension Plan and Group insurance	(190)	(3)	(155)	(641)	(437)	(3)	(155)	(641)	(323)	(194)	(2)	(794)	(323)	(380)	(98)	-4,339
Freight	(2,217)	(2,045)	(1,916)	(2,094)	(1,866)	(2,094)	(2,220)	(2,094)	(2,145)	(2,144)	(2,220)	(2,044)	(2,194)	(2,006)	(2,119)	-31,417
Maintenance Equipment	(165)	(131)	(282)	(177)	(205)	(132)	(201)	(134)	(153)	(169)	(132)	(127)	(127)	(179)	(150)	-2,462
Major Maintenance	(153)	(51)	(255)	(255)	(51)	(179)	(230)	(597)	(66)	(82)	(281)	(87)	(87)	(59)	(130)	-2,561
Capital Expenditures	-	-	(255)	-	(102)	(357)	(51)	-	(204)	(316)	-	-	-	(153)	(337)	-1,776
Professional Fees	(27)	(25)	(50)	(50)	(50)	(50)	(25)	(50)	(25)	(50)	(25)	(25)	(25)	(25)	(50)	-552
Leases	(85)	(3)	-	-	-	(85)	(3)	-	-	(85)	(3)	-	-	-	(85)	-347
Other	(52)	(52)	(152)	(77)	(102)	(127)	(332)	(27)	(102)	(77)	(102)	(332)	(127)	(102)	(77)	-1,842
Management Fee	-	-	(564)	-	(1,100)	-	(564)	-	(1,100)	-	(564)	-	(1,100)	-	-	-4,993
Total Operating Disbursements	(13,323)	(12,847)	(14,462)	(14,855)	(13,891)	(13,613)	(13,896)	(15,396)	(14,112)	(13,951)	(13,701)	(15,166)	(14,027)	(12,889)	(13,757)	(209,888)
Net Operating Cash Flow	(1,618)	(3,500)	(733)	2,235	238	1,331	(1,469)	2,099	1,340	(1,674)	(674)	(568)	1,595	1,901	(146)	358
Non Operating Cash Flow and Restructuring																
Restructuring Professional Fees	(23)	(359)	(25)	(15)	(6,300)	-	(105)	-	-	(880)	(105)	-	-	(880)	-	-8,692
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	(1,096)	-	-	-	(1,123)	-	-	-	-	(1,123)	-	-	-	(1,123)	-	-4,466
Total Non-Operating Cash Flow and Restructuring	(1,120)	(359)	(25)	(15)	(7,423)	-	(105)	-	-	(2,003)	(105)	-	-	(2,003)	-	(13,158)
Net Operating Receipts (Disbursements)	$ (2,737)	$ (3,858)	$ (758)	$ 2,220	$ (7,185)	$ 1,331	$ (1,574)	$ 2,099	$ 1,340	$ (3,677)	$ (779)	$ (568)	$ 1,595	$ (102)	$ (146)	$ (12,800)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 53,621	$ 50,883	$ 47,025	$ 46,267	$ 48,487	$ 41,302	$ 42,633	$ 41,059	$ 43,158	$ 44,497	$ 40,820	$ 40,041	$ 39,473	$ 41,068	$ 40,967	$ 53,621
Net Receipts (Disbursements)	(2,737)	(3,858)	(758)	2,220	(7,185)	1,331	(1,574)	2,099	1,340	(3,677)	(779)	(568)	1,595	(102)	(146)	(12,800)
DIP Term Loan Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	50,883	47,025	46,267	48,487	41,302	42,633	41,059	43,158	44,497	40,820	40,041	39,473	41,068	40,967	40,820	40,820
Unused DIP Commitment	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045
LIQUIDITY	$ 51,928	$ 48,070	$ 47,312	$ 49,532	$ 42,347	$ 43,678	$ 42,104	$ 44,203	$ 45,542	$ 41,865	$ 41,086	$ 40,518	$ 42,113	$ 42,012	$ 41,865	$ 41,865
DIP TERM LOAN BALANCE																
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955
DIP Term Loan Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955

White Birch Paper Holding Company- CANADA ONLY
15-Week Cash Flow Forecast
Weeks Ended May 6 - August 12, 2011

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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 April 30 to August 12, 2011.

  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 June 3, 2011 includes approximately $1.7 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 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.

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.
- 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 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$0.98 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 subject to approval by the Court**

Appendix C – Comparison of actual and projected results for the 14 weeks ended August 5, 2011

White Birch Paper

Cash Flow Forecast - Variance Report
Actual Compared With 15-Week CFF (Dated May 5, 2011)

For the Weeks Ended August 5, 2011

12/08/2011

Confidential

White Birch Paper **Consolidated** In $000's

Cash Flow Forecast Variance Report to 15-Week CFF (Dated 5/5/11)

Week Ended August 5, 2011

	Cumulative 14-Week Variance to 15-Week CFF		
	Actual 4/30 Through 8/5	Forecast 4/30 Through 8/5	B (W) than Forecast 8/5
Operating Receipts			
Bear Island	$ 44,336	$ 39,725	$ 4,611
Stadacona	114,659	107,061	7,599
F.F. Soucy	40,827	44,997	(4,171)
Papier Masson	41,583	44,576	(2,993)
Total Operating Receipts	241,405	236,359	5,046
Operating Disbursements			
Fiber	(49,403)	(45,879)	(3,525)
Chemicals	(11,153)	(11,770)	618
Electricity	(49,569)	(49,602)	33
Recycle Material	(18,621)	(18,196)	(425)
Other Materials and Other Utilities	(28,007)	(29,050)	1,043
Property Taxes	(1,323)	(1,283)	(40)
Salaried and Hourly Payroll - Gross	(23,522)	(21,235)	(2,286)
Pension Plan and Group Insurance	(4,370)	(4,240)	(129)
Freight	(31,739)	(32,987)	1,247
Maintenance Equipment	(4,409)	(4,047)	(362)
Major Maintenance	(2,896)	(3,407)	511
Capital Expenditures	(1,212)	(2,684)	1,472
Professional Fees	(1,127)	(530)	(597)
Leases	(467)	(364)	(103)
Other	(1,772)	(1,765)	(7)
Management Fee	(6,376)	(6,065)	(311)
Total Operating Disbursements	(235,966)	(233,106)	(2,861)
Net Operating Cash Flow	5,438	3,254	2,185
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,716)	(11,606)	9,890
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	-	-	-
Interest Payments	(5,189)	(5,268)	79
Total Non-Operating Cash Flow and Restructuring	(6,905)	(16,874)	9,969
Net Operating Receipts (Disbursements)	$ (1,467)	$ (13,621)	$ 12,154
BEG. BOOK CASH BALANCE	$ 66,337	$ 66,336	$ 0
Net Receipts (Disbursements)	(1,467)	(13,621)	12,154
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	64,870	52,716	12,154
Unused DIP Commitment	1,045	1,045	-
LIQUIDITY	$ 65,915	$ 53,761	$ 12,154
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	-	-	-
DIP Loan Balance at End of Week / Period	$ 120,955	$ 120,955	$ -

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

Cash Flow Forecast - Cumulative Variance Report to 15-Week CFF (Dated 5/5/11)

Week Ended August 5, 2011

	Cumulative 14-Week Variance to 15-Week CFF		
	Actual 4/30 to 8/5	**Forecast 4/30 to 8/5**	**B (W) than Forecast 8/5**
Operating Receipts			
Stadacona	114,659	107,061	7,599
F.F. Soucy	40,827	44,997	(4,171)
Papier Masson	41,583	44,576	(2,993)
Total Operating Receipts	197,069	196,634	435
Operating Disbursements			
Fiber	(45,605)	(42,783)	(2,822)
Chemicals	(8,594)	(8,527)	(67)
Electricity	(41,258)	(41,626)	368
Recycle Material	(14,340)	(13,779)	(561)
Other Materials and Other Utilities	(23,646)	(25,006)	1,360
Property Taxes	(1,196)	(1,134)	(63)
Salaried and Hourly Payroll - Gross	(18,547)	(16,033)	(2,513)
Pension Plan and Group Insurance	(4,370)	(4,240)	(129)
Freight	(28,513)	(29,298)	785
Maintenance Equipment	(3,116)	(2,312)	(805)
Major Maintenance	(2,344)	(2,431)	87
Capital Expenditures	(327)	(1,439)	1,112
Professional Fees	(1,120)	(502)	(618)
Leases	(267)	(262)	(5)
Other	(1,772)	(1,765)	(7)
Management Fee	(5,214)	(4,993)	(221)
Total Operating Disbursements	(200,230)	(196,130)	(4,099)
Net Operating Cash Flow	(3,161)	504	(3,664)
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,165)	(8,692)	7,527
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	2,535	-	2,535
Interest Payments	(5,189)	(4,466)	(723)
Total Non-Operating Cash Flow and Restructuring	(3,819)	(13,158)	9,339
Net Operating Receipts (Disbursements)	$ (6,980)	$ (12,654)	$ 5,674
BEG. BOOK CASH BALANCE	$ 53,621	$ 53,621	$ -
Net Receipts (Disbursements)	(6,980)	(12,654)	5,674
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	46,641	40,967	5,675
Unused DIP Commitment	1,045	1,045	-
LIQUIDITY	$ 47,686	$ 42,012	$ 5,675
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	-	-	-
DIP Loan Balance at End of Week / Period	$ 120,955	$ 120,955	$ -

Appendix D – Cash flow projections of WB Group - 15 weeks ending November 18, 2011

White Birch Paper

15-Week Cash Flow Forecast

Weeks Ending August 12 through Nov. 18, 2011

11/08/2011

Confidential

White Birch Paper CONSOLIDATED CONFIDENTIAL

Rolling Weekly Forecast In $000's

Weeks Ended August 12 - November 18, 2011

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	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	15 Week
	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28	11/4	11/11	11/18	Total
Operating Receipts																
Bear Island	$ 2,089	$ 2,270	$ 3,812	$ 2,815	$ 3,314	$ 2,070	$ 4,620	$ 2,300	$ 3,130	$ 2,400	$ 3,855	$ 3,100	$ 2,800	$ 2,235	$ 4,238	$ 45,049
Stadacona	4,760	5,250	8,644	5,902	7,897	5,670	7,632	9,574	7,400	8,418	6,897	12,693	6,617	7,044	7,265	111,664
F. F. Soucy	1,586	3,163	3,567	4,076	3,547	6,328	2,387	3,011	3,869	2,960	3,584	3,088	3,769	4,644	2,985	52,564
Papier Masson	3,103	3,812	3,936	3,539	2,317	2,714	2,439	2,560	3,527	2,578	2,905	2,595	3,628	2,646	2,672	44,972
Total Operating Receipts	11,539	14,496	19,958	16,332	17,076	16,781	17,078	17,445	17,926	16,356	17,241	21,477	16,814	16,569	17,160	254,248
Operating Disbursements																
Fiber	(2,874)	(3,463)	(3,296)	(3,650)	(3,644)	(3,550)	(3,448)	(3,492)	(3,425)	(3,506)	(3,284)	(3,501)	(3,509)	(3,528)	(3,366)	(51,537)
Chemicals	(651)	(948)	(739)	(742)	(955)	(737)	(956)	(770)	(945)	(747)	(970)	(776)	(951)	(742)	(963)	(12,594)
Electricity	(3,326)	(3,338)	(4,479)	(3,326)	(3,316)	(3,328)	(4,331)	(2,889)	(3,428)	(3,341)	(4,301)	(3,425)	(3,330)	(3,335)	(4,316)	(53,811)
Recycle Material	(1,232)	(1,234)	(1,242)	(1,366)	(1,264)	(1,264)	(1,264)	(1,379)	(1,264)	(1,264)	(1,264)	(1,264)	(1,379)	(1,264)	(1,264)	(19,203)
Other Materials and Other Utilities	(2,156)	(1,983)	(1,948)	(2,282)	(2,160)	(2,018)	(2,028)	(2,048)	(2,225)	(1,896)	(1,992)	(1,975)	(2,063)	(1,957)	(2,010)	(30,741)
Property Taxes	(17)	-	(110)	-	-	(5)	-	-	-	(5)	-	-	-	(5)	-	(142)
Salaried and Hourly Payroll- Gross	(1,517)	(1,688)	(1,451)	(1,673)	(1,451)	(1,883)	(1,381)	(1,775)	(1,451)	(2,021)	(1,349)	(1,826)	(1,451)	(1,952)	(1,365)	(24,233)
Pension Plan and Group insurance	(2)	(125)	(645)	(324)	(78)	(3)	(645)	(324)	(78)	(3)	(645)	(324)	(78)	(3)	(645)	(3,922)
Freight	(2,323)	(2,202)	(2,192)	(2,449)	(2,169)	(2,142)	(2,477)	(2,292)	(2,277)	(2,442)	(2,392)	(2,449)	(2,476)	(2,292)	(2,435)	(35,010)
Maintenance Equipment	(284)	(356)	(288)	(272)	(243)	(254)	(252)	(274)	(248)	(275)	(229)	(241)	(236)	(265)	(240)	(3,955)
Major Maintenance	(95)	(315)	(106)	(160)	(143)	(102)	(321)	(148)	(299)	(230)	(433)	(87)	(127)	(166)	(377)	(3,108)
Capital Expenditures	(198)	(57)	(310)	(284)	(307)	(153)	(135)	(65)	(92)	-	-	-	(90)	(77)	(68)	(1,835)
Professional Fees	(10)	(11)	(10)	(8)	(30)	(25)	(25)	(25)	(65)	(25)	(25)	(50)	(50)	(50)	(25)	(434)
Leases	(87)	(26)	-	(2)	(86)	(33)	-	(1)	(86)	(30)	-	(4)	(1)	(31)	-	(386)
Other	(1,586)	(27)	(27)	(12)	(27)	(282)	(102)	(27)	(27)	(102)	(332)	(27)	(27)	(155)	(230)	(2,992)
Management Fee	(707)	-	(1,425)	-	-	(707)	-	(1,425)	-	(707)	-	(1,425)	-	-	(707)	(7,102)
Total Operating Disbursements	(17,063)	(15,774)	(18,268)	(16,549)	(15,872)	(16,486)	(17,366)	(16,935)	(15,909)	(16,594)	(17,216)	(17,374)	(15,768)	(15,821)	(18,010)	(251,005)
Net Operating Cash Flow	(5,524)	(1,278)	1,691	(217)	1,204	295	(288)	511	2,017	(238)	26	4,103	1,046	747	(850)	3,243
Non Operating Cash Flow and Restructuring																
Restructuring Professional Fees	(120)	(338)	(183)	(8,220)	-	-	-	-	(1,195)	-	-	-	(1,195)	-	-	(11,251)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	-	-	-	-	(1,300)	-	-	-	(1,300)	-	-	-	(1,350)	-	-	(3,950)
Total Non-Operating Cash Flow and Restructuring	(120)	(338)	(183)	(8,220)	(1,300)	-	-	-	(2,495)	-	-	-	(2,545)	-	-	(15,201)
Net Operating Receipts (Disbursements)	$ (5,645)	$ (1,616)	$ 1,508	$ (8,437)	$ (96)	$ 295	$ (288)	$ 511	$ (478)	$ (238)	$ 26	$ 4,103	$ (1,499)	$ 747	$ (850)	$ (11,958)
BEG. BOOK CASH BALANCE	$ 64,870	$ 59,225	$ 57,610	$ 59,117	$ 50,680	$ 50,584	$ 50,878	$ 50,591	$ 51,101	$ 50,623	$ 50,385	$ 50,411	$ 54,513	$ 53,015	$ 53,762	$ 64,870
Net Receipts (Disbursements)	(5,645)	(1,616)	1,508	(8,437)	(96)	295	(288)	511	(478)	(238)	26	4,103	(1,499)	747	(850)	(11,958)
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	59,225	57,610	59,117	50,680	50,584	50,878	50,591	51,101	50,623	50,385	50,411	54,513	53,015	53,762	52,912	52,912
Unused DIP Commitment	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045
LIQUIDITY	$ 60,270	$ 58,655	$ 60,162	$ 51,725	$ 51,629	$ 51,923	$ 51,636	$ 52,146	$ 51,668	$ 51,430	$ 51,456	$ 55,558	$ 54,060	$ 54,807	$ 53,957	$ 53,957
DIP TERM LOAN BALANCE																
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955

White Birch Paper
13 Week Cash Flow Forecast
Weeks Ended August 12 - November 18, 2011

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
- 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, 2010
- 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
- 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 Sept. 2, 2011 includes approximately $3.6 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 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
- 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 - **Assumes full production at all mills based on latest production schedule**

5 - **Preliminary and subject to change**

Appendix E – Cash flow projections of WB Canada - 15 weeks ending November 18, 2011

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

Weeks Ending August 12 through Nov. 18, 2011

11/08/2011

Confidential

White Birch Paper Holding Company
Rolling Weekly Forecast - WB CANADA ONLY
Weeks Ended August 12 - November 18, 2011

CONFIDENTIAL

In $000's

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	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	15 Week
	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28	11/4	11/11	11/18	Total
Operating Receipts																
Stadacona	4,760	5,250	8,644	5,902	7,897	5,670	7,632	9,574	7,400	8,418	6,897	12,693	6,617	7,044	7,265	111,664
F. F. Soucy	1,586	3,163	3,567	4,076	3,547	6,328	2,387	3,011	3,869	2,960	3,584	3,088	3,769	4,644	2,985	52,564
Papier Masson	3,103	3,812	3,936	3,539	2,317	2,714	2,439	2,560	3,527	2,578	2,905	2,595	3,628	2,646	2,672	44,972
Total Operating Receipts	9,450	12,225	16,146	13,517	13,761	14,711	12,458	15,145	14,796	13,956	13,386	18,377	14,014	14,334	12,922	209,200
Operating Disbursements																
Fiber	(2,549)	(3,138)	(2,996)	(3,350)	(3,364)	(3,200)	(3,098)	(3,132)	(3,065)	(3,146)	(2,884)	(3,101)	(3,109)	(3,173)	(2,991)	-46,297
Chemicals	(524)	(549)	(560)	(549)	(784)	(559)	(550)	(569)	(774)	(569)	(569)	(569)	(773)	(564)	(560)	-9,023
Electricity	(2,760)	(2,760)	(3,765)	(2,760)	(2,760)	(2,760)	(3,765)	(2,760)	(2,760)	(2,760)	(3,733)	(2,760)	(2,760)	(2,760)	(3,749)	-45,374
Recycle Material	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	-14,380
Other Materials and Other Utilities	(1,659)	(1,762)	(1,655)	(1,919)	(1,770)	(1,730)	(1,739)	(1,802)	(1,777)	(1,796)	(1,710)	(1,885)	(1,816)	(1,763)	(1,725)	-26,508
Property Taxes	-	-	(110)	-	-	-	-	-	-	-	-	-	-	-	-	-110
Salaried and Hourly Payroll- Gross	(954)	(1,435)	(1,060)	(1,435)	(1,060)	(1,435)	(958)	(1,537)	(1,060)	(1,435)	(958)	(1,435)	(1,060)	(1,435)	(958)	-18,214
Pension Plan and Group insurance	(2)	(125)	(645)	(324)	(78)	(3)	(645)	(324)	(78)	(3)	(645)	(324)	(78)	(3)	(645)	-3,922
Freight	(2,112)	(1,969)	(1,959)	(2,209)	(1,936)	(1,909)	(2,236)	(2,059)	(2,036)	(2,209)	(2,159)	(2,209)	(2,236)	(2,059)	(2,198)	-31,496
Maintenance Equipment	(144)	(174)	(175)	(127)	(136)	(136)	(149)	(153)	(132)	(128)	(131)	(132)	(132)	(132)	(140)	-2,119
Major Maintenance	(51)	(250)	(51)	(77)	(87)	(102)	(321)	(87)	(209)	(230)	(393)	(87)	(87)	(166)	(357)	-2,554
Capital Expenditures	(51)	-	(102)	(102)	(51)	-	(51)	-	-	-	-	-	-	-	(26)	-383
Professional Fees	(10)	(10)	(10)	-	(25)	(25)	(25)	(25)	(50)	(25)	(25)	(50)	(50)	(50)	(25)	-405
Leases	(85)	-	-	-	(85)	(3)	-	-	(85)	-	-	-	-	(1)	-	-258
Other	(1,586)	(27)	(27)	(12)	(27)	(282)	(102)	(27)	(27)	(102)	(332)	(27)	(27)	(155)	(230)	-2,992
Management Fee	(564)	-	(1,175)	-	-	(564)	-	(1,175)	-	(564)	-	(1,175)	-	-	(564)	-5,783
Total Operating Disbursements	(14,009)	(13,159)	(15,249)	(13,822)	(13,121)	(13,668)	(14,599)	(14,610)	(13,011)	(13,927)	(14,498)	(14,713)	(13,087)	(13,221)	(15,125)	(209,818)
Net Operating Cash Flow	(4,558)	(934)	898	(305)	640	1,043	(2,141)	536	1,785	29	(1,111)	3,664	927	1,113	(2,203)	-619
Non Operating Cash Flow and Restructuring																
Restructuring Professional Fees	(120)	(206)	(100)	(6,315)	-	-	-	-	(785)	-	-	-	(785)	-	-	-8,312
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	-	-	-	-	(1,119)	-	-	-	(1,119)	-	-	-	(1,160)	-	-	-3,398
Total Non-Operating Cash Flow and Restructuring	(120)	(206)	(100)	(6,315)	(1,119)	-	-	-	(1,904)	-	-	-	(1,945)	-	-	(11,710)
Net Operating Receipts (Disbursements)	$ (4,679)	$ (1,140)	$ 798	$ (6,620)	$ (479)	$ 1,043	$ (2,141)	$ 536	$ (119)	$ 29	$ (1,111)	$ 3,664	$ (1,017)	$ 1,113	$ (2,203)	$ (12,329)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 46,641	$ 41,962	$ 40,821	$ 41,619	$ 34,999	$ 34,520	$ 35,563	$ 33,422	$ 33,957	$ 33,838	$ 33,867	$ 32,756	$ 36,419	35,402	$ 36,515	$ 46,641
Net Receipts (Disbursements)	(4,679)	(1,140)	798	(6,620)	(479)	1,043	(2,141)	536	(119)	29	(1,111)	3,664	(1,017)	1,113	(2,203)	(12,329)
DIP Term Loan Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	41,962	40,821	41,619	34,999	34,520	35,563	33,422	33,957	33,838	33,867	32,756	36,419	35,402	36,515	34,312	34,312
Unused DIP Commitment	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045
LIQUIDITY	$ 43,007	$ 41,866	$ 42,664	$ 36,044	$ 35,565	$ 36,608	$ 34,467	$ 35,002	$ 34,883	$ 34,912	$ 33,801	$ 37,464	$ 36,447	$ 37,560	$ 35,357	$ 35,357
DIP TERM LOAN BALANCE																
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955
DIP Term Loan Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955

White Birch Paper Holding Company- CANADA ONLY
13 Weekly Cash Flow Forecast
Weeks Ended August 12 - November 18, 2011

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 August 6 to November 18, 2011.

  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 June 3, 2011 includes approximately $1.7 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 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
13 Weekly Cash Flow Forecast
Weeks Ended August 12 - November 18, 2011

CONFIDENTIAL

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.
- 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 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$0.98 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 subject to approval by the Court**