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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 – DECEMBER 7, 2010

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a Motion made by White Birch Paper Holding Company ("**White Birch**") and various of its affiliates (collectively referred to as the "**Applicants**"), the Superior Court of the Province of Québec for the District of Montréal ("**Court**"), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**")[1] issued an order ("**Initial Order**") declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. ("**EYI**" or "**Monitor**") as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest ("**Partnerships**") (the Applicants and the Partnerships are hereinafter referred to collectively as "**WB Canada**")[2]. The Initial Order has since been extended and is now scheduled to expire on December 17, 2010.

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

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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.

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

3. Also on February 24, 2010, some of the entities within WB Canada[4] applied for relief under the provisions of Chapter 15 of the Code. On February 26, 2010, the U.S. Court issued a temporary restraining order under the provisions of Chapter 15 of the Code, and on March 5, 2010, it granted a preliminary injunction, pending a 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 December 17, 2010, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until February 25, 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. This report is presented under the following headings:

   6.1. Introduction and background;

   6.2. Terms of reference and disclaimer;

   6.3. Status of Proceedings;

   6.4. Current activities; 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.

STATUS OF PROCEEDINGS

9. The Initial Order was made on February 24, 2010 and was extended thrice since that date. The most recent order of the Court extending the Initial Order was made on October 13, 2010, and grants an extension until December 17, 2010.

10. In the period since the last motion for an extension, on October 13, 2010, the Companies' restructuring activities have been focused exclusively 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[7], 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**").

11. The conditions to closing have not yet been fulfilled, and the Companies and BDWBI are hopeful these can be resolved imminently. The Closing of the transaction, which was anticipated to take place in mid December 2010, is now expected to occur between December 31 2010 and January 31, 2011.

12. From the Monitor's perspective, the major issues that still need to be resolved, in the context of the proceedings under the CCAA, are as follows:

    12.1. Closing of the transaction with BDWBI;

    12.2. Allocating the funds generated by the sale of assets among the various entities comprising the Companies;

    12.3. Completing a review of transactions and report to the Court, to determine whether or not transactions entered into before the Initial Order could be considered as preferential payments, transfers at undervalue, returns of capital, dividends or other similar transactions;

    12.4. Completing a review of the claims filed against the Companies.

13. Even if a closing can take in late December 2010 or in January 2011, the other matters that need to be resolved before the Companies can propose a plan to distribute the excess funds to the creditors, in particular the items described in paragraphs 12.2 and 12.4 above, will require some time. The Companies need to quantify the amount that will be available for distribution, and determine which creditors are entitled thereto. As a result, it appears to the Monitor that the Companies need the protection of the stay of proceedings ordered pursuant to the Initial Order beyond the date of the closing, and for some time in the future.

CURRENT ACTIVITIES

14. 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 the report dated October 8, 2010.

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[7] 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.

Cash flow results/Interim Financing

15. To date, WB Group borrowed US$121 million against the delayed draw term loan. An estimated additional amount of US$1 million is still available to be drawn.

16. The most recent cash flow projections filed with the Court were prepared for the 13 weeks ending December 31, 2010. For ease of reference, these cash flow projections are attached hereto as Appendix A.

17. WB Group and its advisors prepared a comparison of the actual and projected results, for the 8 weeks ended November 26, 2010, annexed to this report as Appendix B. The Monitor reviewed this comparison with management, and as a result of this review, the Monitor has no reason to doubt the reasonableness of the explanations provided for the variances.

18. Essentially, the comparison of actual and projected results for the 8 weeks ended November 26, 2010 indicates that while the projections contemplated a negative cash flow of US$12.2 million for the 8 week period, the actual results yielded a positive cash flow of US$7.1 million, or a favourable variance of US$19.3 million. The variance is attributed primarily to the following:

    18.1. Higher than projected collection of accounts receivable, by approximately US$13.4 million, attributed in large part to higher sales.

    The accounts receivable were projected to be US$93.9 million as at November 26, 2010, and they are reported to amount to US$95.4 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 higher than anticipated during the projection period, by approximately US$14.9 million.

    18.2. Lower than projected disbursements, by approximately US$5.9 million. This variance is attributable in part to a timing variance, as the Companies' purchases and payment patterns are slightly different from the projections.

    The inventories were projected to be US$76.2 million as at November 26, 2010, and they are reported to amount to US$72.7 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 and operating expenses) were slightly lower than anticipated during the projection period, by approximately US$2.5 million.

19. WB Group's cash on hand stands at approximately US$79.2 million, as at November 26, 2010. This represents a net increase in cash on hand of US$7.1 million as compared with the cash on hand as at October 1, 2010, and a favourable variance of US$18.3 million as compared with the projected level.

20. The comparison of actual and projected results (Appendix B) also presents data compiled to isolate the results of WB Canada. The results for WB Canada indicate a favourable variance of US$13.1 million in receipts, and a favourable variance of US$3.4 million in disbursements, for a net favourable variance of US$16.5 million in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 18.

21. Based on the changes in cash, accounts receivable, inventories and Interim Financing amount drawn, and assuming that the accounts payable remain stable during the pendency of the proceedings under the CCAA and the Code, the Monitor estimates that the financial position of the WB Group has improved slightly during the period from October 1, to November 26, 2010. The analysis of the changes in position, based on the available information[8], is as follows:

	in thousands of US$		
	1-Oct-10	26-Nov-10	Net change
Cash / Bank indebtedness	(48,886)	(41,792)	7,094
Accounts receivable	92,407	95,364	2,957
Inventories	71,810	72,722	912
Estimated net improvement (deterioration) for the period			10,963

Updated projections

22. Management provided us with an updated cash flow projection for WB Group, for the 13 weeks ending February 25, 2011, and these cash flow projections are attached to this report as Appendix C[9]. The opening cash position on these cash flow projections represents the actual cash on hand as of November 26, 2010. The remainder of the amounts represents a projection, as the actual results for the week of December 3, 2010 have not yet been compiled.

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

9 Management has also provided us with an updated cash flow projection for WB Canada, for the 13 week period ending February 25, 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 D.

23. 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.

CONCLUSIONS AND RECOMMENDATIONS

24. 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 February 25, 2011, to allow WB Group to complete the sale process, would not be prejudicial to the creditors of WB Group.

25. 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.

26. 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 February 25, 2011.

All of which is respectfully submitted this 7th day of December 2010.

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

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

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

Appendix A – Cash flow projections of WB Group - 13 weeks ending December 31, 2010

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending October 8 through December 31, 2010

08/10/2010

Confidential

White Birch Paper
Rolling Weekly Forecast
Weeks Ended October 8, 2010-December 31, 2010

CONSOLIDATED
In $000's

CONFIDENTIAL

	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
	10/8	10/15	10/22	10/29	11/5	11/12	11/19	11/26	12/3	12/10	12/17	12/24	12/31	Total
Operating Receipts														
Bear Island	$ 1,897	$ 2,214	$ 2,801	$ 5,254	$ 2,198	$ 1,900	$ 3,000	$ 3,000	$ 3,750	$ 1,900	$ 2,100	$ 3,000	$ 2,650	$ 35,664
Stadacona	5,316	4,894	4,624	7,104	11,933	6,106	5,631	12,581	6,870	6,311	6,151	11,241	8,080	96,843
F. F. Soucy	4,631	2,217	1,827	3,338	2,160	2,115	4,013	1,795	3,630	4,806	1,795	3,645	2,183	38,155
Papier Masson	3,984	2,588	2,328	3,174	3,660	2,144	2,600	2,663	3,378	3,023	2,320	2,064	3,443	37,368
Total Operating Receipts	15,828	11,912	11,580	18,870	19,951	12,265	15,245	20,039	17,628	16,040	12,366	19,950	16,356	208,030
Operating Disbursements														
Fiber	(2,938)	(3,300)	(3,304)	(3,304)	(3,194)	(3,170)	(3,064)	(3,099)	(3,374)	(3,374)	(3,374)	(3,374)	(3,374)	(42,245)
Chemicals	(771)	(937)	(721)	(715)	(846)	(735)	(1,083)	(727)	(732)	(853)	(946)	(725)	(895)	-10,688
Electricity	(4,439)	(3,271)	(3,283)	(3,350)	(4,306)	(3,260)	(3,272)	(3,260)	(3,270)	(4,316)	(3,260)	(3,267)	(3,255)	-45,809
Recycle Material	(1,080)	(1,182)	(1,105)	(1,264)	(1,095)	(1,170)	(1,095)	(1,305)	(1,095)	(1,170)	(1,095)	(1,170)	(1,230)	-15,056
Other Materials and Other Utilities	(2,223)	(1,697)	(1,844)	(1,923)	(2,004)	(1,733)	(2,109)	(1,843)	(2,061)	(1,716)	(1,817)	(1,946)	(1,702)	-24,619
Property Taxes	-	(5)	-	-	(52)	(5)	(12)	-	-	(5)	-	-	-	-79
Salaried and Hourly Payroll- Gross	(1,779)	(1,762)	(1,597)	(1,583)	(1,724)	(1,590)	(1,865)	(1,579)	(1,775)	(1,505)	(1,861)	(1,594)	(1,630)	-21,845
Pension Plan and Group insurance	(77)	(3)	(799)	(328)	(189)	(3)	(149)	(653)	(514)	(3)	(149)	(653)	(327)	-3,846
Freight	(2,212)	(2,241)	(2,169)	(2,210)	(2,185)	(2,260)	(2,193)	(2,235)	(2,185)	(2,268)	(2,185)	(2,185)	(2,418)	-28,949
Maintenance Equipment	(279)	(383)	(344)	(329)	(318)	(321)	(435)	(313)	(340)	(302)	(305)	(287)	(280)	-4,235
Major Maintenance	(614)	(404)	(61)	(397)	(115)	(60)	(415)	(150)	(155)	(105)	(140)	(200)	(275)	-3,092
Capital Expenditures	(91)	(328)	-	(30)	(124)	(125)	(120)	(100)	(25)	-	-	(188)	(50)	-1,183
Professional Fees	(50)	(53)	(65)	(55)	(50)	(58)	(100)	(60)	(50)	(50)	(50)	(50)	(50)	-740
Leases	(83)	(31)	(8)	(2)	(96)	(1)	(25)	(2)	(14)	(83)	(25)	(2)	(2)	-372
Other	(152)	(102)	(102)	(202)	(127)	(152)	(152)	(252)	(202)	(202)	(152)	(102)	(202)	-2,102
Management Fee	-	(707)	-	(1,605)	-	-	(707)	-	(1,605)	-	(707)	-	(1,605)	-6,935
Bankruptcy Impacts	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Operating Disbursements	(16,787)	(16,407)	(15,403)	(17,297)	(16,425)	(14,645)	(16,797)	(15,579)	(17,397)	(15,954)	(16,066)	(15,744)	(17,295)	(211,794)
Net Operating Cash Flow	(959)	(4,494)	(3,823)	1,573	3,525	(2,380)	(1,552)	4,461	231	86	(3,700)	4,206	(939)	(3,764)
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(750)	(844)	(1,002)	(881)	(611)	(600)	(990)	(450)	-	(1,048)	(985)	(475)	(740)	(9,376)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(935)	(65)	(107)	(106)	(143)	(935)	(172)	-	(249)	(935)	(65)	(107)	(249)	-4,068
Total Non-Operating Cash Flow and Restructuring	(1,685)	(909)	(1,109)	(987)	(754)	(1,535)	(1,162)	(450)	(249)	(1,983)	(1,050)	(582)	(989)	(13,444)
Net Operating Receipts (Disbursements)	$ (2,644)	$ (5,404)	$ (4,932)	$ 586	$ 2,772	$ (3,915)	$ (2,714)	$ 4,011	$ (18)	$ (1,896)	$ (4,750)	$ 3,624	$ (1,928)	$ (17,207)
BEG. BOOK CASH BALANCE	$ 72,069	$ 69,426	$ 64,022	$ 59,090	$ 60,721	$ 63,493	$ 59,578	$ 56,864	$ 60,875	$ 60,857	$ 58,961	$ 54,211	$ 57,835	$ 72,069
Net Receipts (Disbursements)	(2,644)	(5,404)	(4,932)	586	2,772	(3,915)	(2,714)	4,011	(18)	(1,896)	(4,750)	3,624	(1,928)	(17,207)
DIP Term Loan Borrowing	-	-	-	1,045	-	-	-	-	-	-	-	-	-	1,045
ENDING BOOK CASH BALANCE	69,426	64,022	59,090	60,721	63,493	59,578	56,864	60,875	60,857	58,961	54,211	57,835	55,907	55,907
Unused DIP Commitment	1,045	1,045	1,045	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 70,471	$ 65,067	$ 60,135	$ 60,721	$ 63,493	$ 59,578	$ 56,864	$ 60,875	$ 60,857	$ 58,961	$ 54,211	$ 57,835	$ 55,907	$ 55,907
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 120,955
DIP Term Loan Borrowing	-	-	-	1,045	-	-	-	-	-	-	-	-	-	1,045
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 120,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000

White Birch Paper
13 Week Cash Flow Forecast
Weeks Ended October 8, 2010-December 31, 2010

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
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- No cash payments, or other assumptions, regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast (as a result, sale transaction fees have not been included in this forecast)

2 - **Includes the Following DIP Financing Assumptions:**
- Pre-petition ABL facility was replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) on March 1 with terms, as follows:
  - Interest at L+1,000 bps; 2% Libor floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid monthly as due
  - DIP loans paid or repaid may not be reborrowed
- Aggregate reserves approximate $18.0 million for the D&O charge and the administrative charge, a carve-out for professional fees and a Canadian Priority Reserve
- Liquidity reflected at any given week includes unused DIP commitment that is available for draw based on budgeted net disbursements, and/or borrowing base collateral, but has not yet been drawn
- 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$1.00 to US $1.00 throughout the forecast period**

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

5 - **Preliminary and subject to change**

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

Weeks Ending October 8 through December 31, 2010

08/10/2010

Confidential

White Birch Paper Holding Company

CONFIDENTIAL

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

Weeks Ended October 8, 2010-December 31, 2010

	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
	10/8	10/15	10/22	10/29	11/5	11/12	11/19	11/26	12/3	12/10	12/17	12/24	12/31	Total
Operating Receipts														
Stadacona	5,316	4,894	4,624	7,104	11,933	6,106	5,631	12,581	6,870	6,311	6,151	11,241	8,080	96,843
F. F. Soucy	4,631	2,217	1,827	3,338	2,160	2,115	4,013	1,795	3,630	4,806	1,795	3,645	2,183	38,155
Papier Masson	3,984	2,588	2,328	3,174	3,660	2,144	2,600	2,663	3,378	3,023	2,320	2,064	3,443	37,368
Total Operating Receipts	13,931	9,699	8,778	13,616	17,753	10,365	12,245	17,039	13,878	14,140	10,266	16,950	13,706	172,366
Operating Disbursements														
Fiber	(2,588)	(2,950)	(2,954)	(2,954)	(2,874)	(2,870)	(2,764)	(2,874)	(3,149)	(3,149)	(3,149)	(3,149)	(3,149)	-38,575
Chemicals	(641)	(561)	(541)	(551)	(690)	(550)	(540)	(570)	(551)	(690)	(560)	(561)	(560)	-7,566
Electricity	(3,664)	(2,705)	(2,705)	(2,705)	(3,664)	(2,705)	(2,705)	(2,705)	(2,705)	(3,664)	(2,705)	(2,705)	(2,705)	-38,042
Recycle Material	(900)	(975)	(900)	(975)	(900)	(975)	(900)	(975)	(900)	(975)	(900)	(975)	(900)	-12,150
Other Materials and Other Utilities	(1,824)	(1,476)	(1,550)	(1,575)	(1,689)	(1,485)	(1,867)	(1,488)	(1,685)	(1,546)	(1,585)	(1,606)	(1,515)	-20,890
Property Taxes	-	-	-	-	(52)	-	-	-	-	-	-	-	-	-52
Salaried and Hourly Payroll- Gross	(1,388)	(1,330)	(1,203)	(1,345)	(1,318)	(1,352)	(1,280)	(1,341)	(1,299)	(1,267)	(1,276)	(1,341)	(1,239)	-16,980
Pension Plan and Group insurance	(77)	(3)	(799)	(328)	(189)	(3)	(149)	(653)	(514)	(3)	(149)	(653)	(327)	-3,846
Freight	(1,904)	(1,963)	(1,888)	(1,938)	(1,888)	(1,963)	(1,888)	(1,938)	(1,888)	(1,963)	(1,888)	(1,888)	(2,113)	-25,116
Maintenance Equipment	(165)	(142)	(156)	(155)	(141)	(136)	(266)	(151)	(184)	(146)	(144)	(131)	(124)	-2,042
Major Maintenance	(550)	(270)	(45)	(260)	(80)	(60)	(375)	(60)	(115)	(65)	(90)	(160)	(235)	-2,365
Capital Expenditures	(50)	(250)	-	-	-	(50)	(50)	-	-	-	-	-	(50)	-450
Professional Fees	(50)	(50)	(50)	(50)	(50)	(50)	(100)	(50)	(50)	(50)	(50)	(50)	(50)	-700
Leases	(82)	-	-	-	(85)	-	-	-	(3)	(82)	-	-	-	-251
Other	(152)	(102)	(102)	(202)	(127)	(152)	(152)	(252)	(202)	(202)	(152)	(102)	(202)	-2,102
Management Fee	-	(564)	-	(1,355)	-	-	(564)	-	(1,355)	-	(564)	-	(1,355)	-5,758
Bankruptcy Impacts	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Total Operating Disbursements	(14,035)	(13,342)	(12,893)	(14,394)	(13,746)	(12,353)	(13,601)	(13,058)	(14,600)	(13,803)	(13,213)	(13,322)	(14,524)	(176,886)
Net Operating Cash Flow	(103)	(3,644)	(4,115)	(778)	4,007	(1,988)	(1,357)	3,981	(721)	337	(2,947)	3,628	(818)	(4,519)
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(366)	(494)	(824)	(485)	(350)	(600)	(560)	(350)	-	(960)	(475)	(375)	(360)	-6,199
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	(792)	(55)	(90)	(90)	(122)	(796)	(146)	-	(212)	(799)	(55)	(91)	(212)	-3,462
Total Non-Operating Cash Flow and Restructuring	(1,158)	(549)	(914)	(575)	(472)	(1,396)	(706)	(350)	(212)	(1,759)	(530)	(466)	(572)	(9,661)
Net Operating Receipts (Disbursements)	$ (1,261)	$ (4,193)	$ (5,029)	$ (1,353)	$ 3,534	$ (3,385)	$ (2,063)	$ 3,631	$ (933)	$ (1,422)	$ (3,477)	$ 3,162	$ (1,390)	$ (14,180)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 65,509	$ 64,248	$ 60,055	$ 55,026	$ 54,558	$ 58,092	$ 54,708	$ 52,645	$ 56,276	$ 55,343	$ 53,920	$ 50,443	$ 53,605	$ 65,509
Net Receipts (Disbursements)	(1,261)	(4,193)	(5,029)	(1,353)	3,534	(3,385)	(2,063)	3,631	(933)	(1,422)	(3,477)	3,162	(1,390)	(14,180)
DIP Term Loan Borrowings	-	-	-	886	-	-	-	-	-	-	-	-	-	886
GE ABL Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	64,248	60,055	55,026	54,558	58,092	54,708	52,645	56,276	55,343	53,920	50,443	53,605	52,215	52,215
Unused DIP Commitment	886	886	886	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 65,133	$ 60,940	$ 55,911	$ 54,558	$ 58,092	$ 54,708	$ 52,645	$ 56,276	$ 55,343	$ 53,920	$ 50,443	$ 53,605	$ 52,215	$ 52,215
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 120,955
DIP Term Loan Borrowings	-	-	-	886	-	-	-	-	-	-	-	-	-	886
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 120,955	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841	$ 121,841

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 October 8 to December 31, 2010.

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

2 Basis of presentation:

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

3 Stakeholder support:

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

4 CCAA Filing Scenario:

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

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$1.00 to US $1.00 throughout the forecast period

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

8 This 13-week Cash Flow Forecast is subject to approval by the Court

Appendix B – Comparison of actual and projected results for the 8 weeks ended November 26, 2010

White Birch Paper

Cash Flow Forecast - Variance Report
Actual Compared With 13-Week CFF (Dated October 8, 2010)

For the Weeks Ended November 26, 2010

03/12/2010

Confidential

White Birch Paper
Cumulative Variance Report to 13-Week CFF (Dated 10/8/10)
Weeks Ended November 26, 2010

Consolidated
In $000's

	Cumulative 8-Week Variance to 13-Week CFF		
	Actual 10/2 Through 11/26	Forecast 10/2 Through 11/26	B (W) than Forecast 11/26
Operating Receipts			
Bear Island	$ 22,598	$ 22,264	$ 334
Stadacona	64,664	58,190	6,474
F.F. Soucy	25,720	22,096	3,625
Papier Masson	26,136	23,141	2,995
Total Operating Receipts	139,119	125,690	13,429
Operating Disbursements			
Fiber	(25,258)	(25,374)	116
Chemicals	(6,570)	(6,536)	(34)
Electricity	(29,394)	(28,441)	(953)
Recycle Material	(8,512)	(9,296)	784
Other Materials and Other Utilities	(15,509)	(15,377)	(132)
Property Taxes	(126)	(74)	(52)
Salaried and Hourly Payroll - Gross	(13,403)	(13,480)	76
Pension Plan and Group Insurance	(2,367)	(2,200)	(166)
Freight	(16,411)	(17,707)	1,296
Maintenance Equipment	(2,290)	(2,720)	430
Major Maintenance	(2,058)	(2,217)	158
Capital Expenditures	(215)	(919)	704
Professional Fees	(189)	(490)	301
Leases	(242)	(247)	5
Other	(1,244)	(1,242)	(2)
Management Fee	(2,751)	(3,019)	268
Total Operating Disbursements	(126,541)	(129,339)	2,797
Net Operating Cash Flow	12,578	(3,648)	16,226
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(3,057)	(6,128)	3,071
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	-	-	-
Interest Payments	(2,427)	(2,463)	36
Total Non-Operating Cash Flow and Restructuring	(5,484)	(8,591)	3,107
Net Operating Receipts (Disbursements)	$ 7,094	$ (12,240)	$ 19,333
BEG. BOOK CASH BALANCE	$ 72,069	$ 72,069	$ 0
Net Receipts (Disbursements)	7,094	(12,240)	19,333
DIP Term Loan Borrowing	-	1,045	(1,045)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	79,163	60,875	18,288
Unused DIP Commitment	1,045	-	1,045
LIQUIDITY	$ 80,208	$ 60,875	$ 19,333
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	-	1,045	(1,045)
DIP Loan Balance at End of Week / Period	$ 120,955	$ 122,000	$ (1,045)

White Birch Paper Holding Company - WB Canada Only
Cumulative Variance Report to 13-Week CFF (Dated 10/8/10)
Weeks Ended November 26, 2010

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

	Cumulative 8-Week Variance to 13-Week CFF		
	Actual 10/2 to 11/26	**Forecast 10/2 to 11/26**	**B (W) than Forecast 11/26**
Operating Receipts			
Stadacona	64,664	58,190	6,474
F.F. Soucy	25,720	22,096	3,625
Papier Masson	26,136	23,141	2,995
Total Operating Receipts	116,521	103,426	13,095
Operating Disbursements			
Fiber	(22,188)	(22,829)	642
Chemicals	(4,890)	(4,643)	(247)
Electricity	(24,506)	(23,558)	(948)
Recycle Material	(6,793)	(7,500)	707
Other Materials and Other Utilities	(13,380)	(12,954)	(426)
Property Taxes	(118)	(52)	(66)
Salaried and Hourly Payroll - Gross	(10,504)	(10,558)	54
Pension Plan and Group Insurance	(2,367)	(2,200)	(166)
Freight	(14,567)	(15,373)	806
Maintenance Equipment	(1,591)	(1,313)	(278)
Major Maintenance	(1,882)	(1,700)	(182)
Capital Expenditures	-	(400)	400
Professional Fees	(186)	(450)	264
Leases	(164)	(167)	3
Other	(1,244)	(1,242)	(2)
Management Fee	(2,192)	(2,484)	292
Total Operating Disbursements	(106,572)	(107,424)	853
Net Operating Cash Flow	9,949	(3,997)	13,948
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,807)	(4,029)	2,222
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	660	-	660
Interest Payments	(2,427)	(2,092)	(335)
Total Non-Operating Cash Flow and Restructuring	(3,574)	(6,121)	2,547
Net Operating Receipts (Disbursements)	$ 6,375	$ (10,119)	$ 16,494
BEG. BOOK CASH BALANCE	$ 65,509	$ 65,509	$ -
Net Receipts (Disbursements)	6,375	(10,119)	16,494
DIP Term Loan Borrowing	-	886	(886)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	71,884	56,276	15,608
Unused DIP Commitment	1,045	-	1,045
LIQUIDITY	$ 72,929	$ 56,276	$ 16,653
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	-	886	(886)
DIP Loan Balance at End of Week / Period	$ 120,955	$ 121,841	$ (886)

Appendix C – Cash flow projections of WB Group - 13 weeks ending February 25, 2011

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending December 3, 2010 through February 25, 2011

02/12/2010

Confidential

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

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

Weeks Ended December 3, 2010-February 25, 2011

	1	2	3	4	5	6	7	8	9	10	11	12	13	
	Wk Ended 12/3	Wk Ending 12/10	Wk Ending 12/17	Wk Ending 12/24	Wk Ending 12/31	Wk Ending 1/7	Wk Ending 1/14	Wk Ending 1/21	Wk Ending 1/28	Wk Ending 2/4	Wk Ending 2/11	Wk Ending 2/18	Wk Ending 2/25	13 Week Total
Operating Receipts														
Bear Island	$ 3,736	$ 1,963	$ 1,854	$ 3,154	$ 3,840	$ 3,150	$ 2,000	$ 3,450	$ 3,550	$ 2,850	$ 2,100	$ 3,000	$ 2,100	$ 36,747
Stadacona	5,332	4,450	4,594	5,741	12,877	5,692	4,755	5,080	13,260	5,905	5,510	5,855	15,212	94,263
F. F. Soucy	3,093	4,095	1,520	1,656	4,819	2,793	2,550	2,333	2,675	3,211	4,464	1,884	2,594	37,688
Papier Masson	3,079	2,589	2,576	2,955	4,977	2,850	2,675	2,268	3,945	2,716	2,535	2,818	2,628	38,610
Total Operating Receipts	15,241	13,096	10,544	13,506	26,513	14,484	11,980	13,131	23,430	14,683	14,608	13,557	22,534	207,308
Operating Disbursements														
Fiber	(3,489)	(3,661)	(3,457)	(3,193)	(1,611)	(3,420)	(2,848)	(3,034)	(3,533)	(3,533)	(3,633)	(3,533)	(3,553)	(42,496)
Chemicals	(639)	(898)	(931)	(715)	(475)	(1,163)	(1,026)	(826)	(714)	(871)	(824)	(950)	(950)	(10,983)
Electricity	(3,263)	(3,350)	(3,269)	(4,240)	(2,895)	(3,380)	(3,255)	(4,214)	(3,617)	(3,255)	(3,255)	(4,224)	(3,255)	(45,472)
Recycle Material	(1,012)	(1,049)	(1,020)	(1,020)	(950)	(945)	(1,270)	(1,020)	(1,020)	(1,155)	(1,020)	(1,020)	(1,020)	(13,521)
Other Materials and Other Utilities	(2,598)	(1,843)	(1,759)	(2,110)	(951)	(2,698)	(1,591)	(1,850)	(1,924)	(1,987)	(1,752)	(1,776)	(1,641)	(24,480)
Property Taxes	-	(5)	-	-	-	-	(5)	-	-	-	-	-	-	(10)
Salaried and Hourly Payroll- Gross	(1,593)	(1,560)	(1,679)	(1,621)	(1,455)	(1,643)	(1,738)	(1,588)	(1,474)	(1,988)	(1,309)	(1,820)	(1,459)	(20,923)
Pension Plan and Group insurance	(510)	(3)	(149)	(978)	(2)	(190)	(149)	(203)	(777)	(190)	(2)	(3)	(652)	(3,806)
Freight	(2,040)	(2,405)	(2,250)	(2,200)	(1,932)	(2,250)	(2,550)	(2,250)	(2,207)	(2,275)	(2,250)	(2,200)	(2,350)	(29,154)
Maintenance Equipment	(227)	(377)	(374)	(310)	(547)	(340)	(636)	(337)	(323)	(286)	(466)	(315)	(287)	(4,826)
Major Maintenance	(260)	(277)	(391)	(385)	(130)	(296)	(215)	(100)	(115)	(205)	(110)	(125)	(265)	(2,874)
Capital Expenditures	(50)	(522)	(70)	(252)	(473)	(250)	(68)	-	-	-	-	-	(50)	(1,735)
Professional Fees	(55)	(58)	(50)	(50)	(65)	(50)	(50)	(50)	(50)	(60)	(50)	(50)	(50)	(688)
Leases	(19)	(1)	(111)	(2)	-	(14)	(112)	(2)	-	-	(17)	(110)	(28)	(415)
Other	(152)	(102)	(102)	(952)	(152)	(52)	(227)	(152)	(152)	(152)	(152)	(327)	(102)	(2,777)
Management Fee	(1,467)	-	(707)	-	(1,605)	-	(707)	-	(1,605)	-	-	(707)	-	(6,797)
Total Operating Disbursements	(17,374)	(16,111)	(16,318)	(18,028)	(13,242)	(16,690)	(16,445)	(15,625)	(17,510)	(15,956)	(14,839)	(17,158)	(15,660)	(210,956)
Net Operating Cash Flow	(2,133)	(3,015)	(5,774)	(4,523)	13,271	(2,205)	(4,464)	(2,494)	5,921	(1,273)	(231)	(3,602)	6,874	(3,648)
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(166)	(420)	(1,581)	(8,485)	-	(0)	-	-	-	(2,130)	-	-	-	(12,782)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(950)	-	-	-	-	(1,250)	-	-	-	(1,250)	-	-	-	(3,450)
Total Non-Operating Cash Flow and Restructuring	(1,116)	(420)	(1,581)	(8,485)	-	(1,250)	-	-	-	(3,380)	-	-	-	(16,232)
Net Operating Receipts (Disbursements)	$ (3,249)	$ (3,435)	$ (7,354)	$ (13,008)	$ 13,271	$ (3,455)	$ (4,464)	$ (2,494)	$ 5,921	$ (4,653)	$ (231)	$ (3,602)	$ 6,874	$ (19,880)
BEG. BOOK CASH BALANCE	$ 79,163	$ 75,914	$ 72,479	$ 66,169	$ 53,162	$ 66,432	$ 62,977	$ 58,513	$ 56,018	$ 61,939	$ 57,286	$ 57,055	$ 53,454	$ 79,163
Net Receipts (Disbursements)	(3,249)	(3,435)	(7,354)	(13,008)	13,271	(3,455)	(4,464)	(2,494)	5,921	(4,653)	(231)	(3,602)	6,874	(19,880)
DIP Term Loan Borrowing	-	-	1,045	-	-	-	-	-	-	-	-	-	-	1,045
ENDING BOOK CASH BALANCE	75,914	72,479	66,169	53,162	66,432	62,977	58,513	56,018	61,939	57,286	57,055	53,454	60,328	60,328
Unused DIP Commitment	1,045	1,045	-	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 76,959	$ 73,524	$ 66,169	$ 53,162	$ 66,432	$ 62,977	$ 58,513	$ 56,018	$ 61,939	$ 57,286	$ 57,055	$ 53,454	$ 60,328	$ 60,328
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 120,955
DIP Term Loan Borrowing	-	-	1,045	-	-	-	-	-	-	-	-	-	-	1,045
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000

Key Assumptions:

1 - **Bankruptcy Filing:**
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. $11.1 million) were cash collateralized in the repayment of loan balances to the ABL lender that occurred on March 1.
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- 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 December 24 includes approximately $3.9 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 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$1.00 to US $1.00 throughout the forecast period**

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

5 - **Preliminary and subject to change**

Appendix D – Cash flow projections of WB Canada - 13 weeks ending February 25, 2011

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

Weeks Ending December 3, 2010 through February 25, 2011

02/12/2010

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White Birch Paper Holding Company

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

Weeks Ended December 3, 2010-February 25, 2011

	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
	12/3	12/10	12/17	12/24	12/31	1/7	1/14	1/21	1/28	2/4	2/11	2/18	2/25	Total
Operating Receipts														
Stadacona	5,332	4,450	4,594	5,741	12,877	5,692	4,755	5,080	13,260	5,905	5,510	5,855	15,212	94,263
F. F. Soucy	3,093	4,095	1,520	1,656	4,819	2,793	2,550	2,333	2,675	3,211	4,464	1,884	2,594	37,688
Papier Masson	3,079	2,589	2,576	2,955	4,977	2,850	2,675	2,268	3,945	2,716	2,535	2,818	2,628	38,610
Total Operating Receipts	11,504	11,133	8,690	10,352	22,673	11,334	9,980	9,681	19,880	11,833	12,508	10,557	20,434	170,561
Operating Disbursements														
Fiber	(3,269)	(3,381)	(3,177)	(2,913)	(1,386)	(3,170)	(2,623)	(2,809)	(3,308)	(3,308)	(3,408)	(3,308)	(3,328)	(39,386)
Chemicals	(490)	(710)	(540)	(551)	(190)	(1,000)	(640)	(570)	(550)	(690)	(560)	(560)	(560)	(7,612)
Electricity	(2,705)	(2,705)	(2,705)	(3,664)	(2,705)	(2,705)	(2,705)	(3,664)	(2,705)	(2,705)	(2,705)	(3,674)	(2,705)	(38,052)
Recycle Material	(825)	(825)	(825)	(825)	(650)	(750)	(1,075)	(825)	(825)	(825)	(825)	(825)	(825)	(10,725)
Other Materials and Other Utilities	(2,262)	(1,542)	(1,529)	(1,701)	(826)	(2,205)	(1,303)	(1,524)	(1,666)	(1,720)	(1,498)	(1,557)	(1,580)	(20,914)
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaried and Hourly Payroll- Gross	(1,186)	(1,322)	(1,094)	(1,368)	(1,024)	(1,405)	(1,083)	(1,350)	(1,068)	(1,750)	(918)	(1,365)	(1,068)	(15,997)
Pension Plan and Group insurance	(510)	(3)	(149)	(978)	(2)	(190)	(149)	(203)	(777)	(190)	(2)	(3)	(652)	(3,806)
Freight	(1,793)	(2,078)	(1,953)	(1,903)	(1,628)	(1,978)	(2,278)	(1,978)	(1,928)	(2,003)	(1,978)	(1,928)	(2,078)	(25,498)
Maintenance Equipment	(147)	(204)	(189)	(136)	(366)	(159)	(462)	(175)	(155)	(124)	(304)	(152)	(124)	(2,698)
Major Maintenance	(260)	(150)	(195)	(240)	(80)	(225)	(125)	(60)	(115)	(165)	(110)	(85)	(135)	(1,945)
Capital Expenditures	(50)	(250)	-	-	-	(50)	(50)	-	-	-	-	-	(50)	(450)
Professional Fees	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(650)
Leases	(3)	-	(82)	-	-	(3)	(82)	-	-	-	(3)	(82)	-	(254)
Other	(152)	(102)	(102)	(952)	(152)	(52)	(227)	(152)	(152)	(152)	(152)	(327)	(102)	(2,777)
Management Fee	(1,224)	-	(564)	-	(1,355)	-	(564)	-	(1,355)	-	-	(564)	-	(5,628)
Total Operating Disbursements	(14,925)	(13,322)	(13,154)	(15,281)	(10,414)	(13,941)	(13,416)	(13,359)	(14,653)	(13,681)	(12,511)	(14,479)	(13,256)	(176,391)
Net Operating Cash Flow	(3,421)	(2,189)	(4,464)	(4,929)	12,259	(2,606)	(3,436)	(3,678)	5,227	(1,848)	(3)	(3,922)	7,179	(5,831)
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(155)	(227)	(1,015)	(6,725)	-	-	-	-	-	(1,530)	-	-	-	(9,652)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(792)	-	-	-	-	(1,042)	-	-	-	(1,045)	-	-	-	(2,879)
Total Non-Operating Cash Flow and Restructuring	(946)	(227)	(1,015)	(6,725)	-	(1,042)	-	-	-	(2,575)	-	-	-	(12,531)
Net Operating Receipts (Disbursements)	$ (4,367)	$ (2,416)	$ (5,479)	$ (11,654)	$ 12,259	$ (3,649)	$ (3,436)	$ (3,678)	$ 5,227	$ (4,423)	$ (3)	$ (3,922)	$ 7,179	$ (18,362)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 71,884	$ 67,517	$ 65,101	$ 60,496	$ 48,842	$ 61,101	$ 57,453	$ 54,016	$ 50,339	$ 55,566	$ 51,143	$ 51,140	$ 47,218	$ 71,884
Net Receipts (Disbursements)	(4,367)	(2,416)	(5,479)	(11,654)	12,259	(3,649)	(3,436)	(3,678)	5,227	(4,423)	(3)	(3,922)	7,179	(18,362)
DIP Term Loan Borrowings	-	-	874	-	-	-	-	-	-	-	-	-	-	874
ENDING BOOK CASH BALANCE	67,517	65,101	60,496	48,842	61,101	57,453	54,016	50,339	55,566	51,143	51,140	47,218	54,397	54,397
Unused DIP Commitment	874	874	-	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 68,391	$ 65,975	$ 60,496	$ 48,842	$ 61,101	$ 57,453	$ 54,016	$ 50,339	$ 55,566	$ 51,143	$ 51,140	$ 47,218	$ 54,397	$ 54,397
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 120,955
DIP Term Loan Borrowings	-	-	874	-	-	-	-	-	-	-	-	-	-	874
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829	$ 121,829

White Birch Paper Holding Company- CANADA ONLY
13 Weekly Cash Flow Forecast
Weeks Ended December 3, 2010-February 25, 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 December 3, 2010 to February 25, 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 December 24 includes approximately $3.9 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee
- Trade payables payments contraction occurred in weeks ended 2/26 through 3/19 to reflect COD payments. Additional contraction and COD payments are not assumed in this forecast.
- Prior service cost component of pension contributions in Canada of CAD $1.5 million beginning with the February payments are suspended until emergence - savings of approximately $1.5 million CAD per month
- CAD Utility Deposits - Three weeks of utility deposits (appx. $7.5 million CAD) to secure post-petition service were made subsequent to the CCAA filing with continued weekly payments for estimated consumption of approximately $2.7 million CAD.
- Letters of Credit and Cash Deposits - Current letters of credit outstanding on the filing date of $9.5 million were cash collateralized in the repayment of loan balances to the pre-petition ABL lender with a 5% premium.

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$1.00 to US $1.00 throughout the forecast period

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

8 This 13-week Cash Flow Forecast is subject to approval by the Court