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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 – FEBRUARY 18, 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 February 25, 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 by the

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[1] *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

[2] The entities subject to the Initial Order are White Birch Paper Holding Company, White Birch Paper Company, Stadacona General Partner Inc., Black Spruce Paper Inc., F.F. Soucy General Partner Inc., 3120772 Nova Scotia Company, Arrimage De Gros Cacouna Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership, and F.F. Soucy, Inc. & Partners, Limited Partnership.

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

Bankruptcy Court for the Eastern District of Virginia, Richmond Division ("**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 February 25, 2011, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until May 13, 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 fiscal 2010, following the recent finalization by the Companies of their financial statements for the fourth quarter ended December 31, 2010. 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 year ended December 31, 2010;

   6.4. Status of Proceedings;

   6.5. Current activities; and

   6.6. Conclusions and recommendations.

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

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

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

TERMS OF REFERENCE AND DISCLAIMER

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

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

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

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

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

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

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

INTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

9. The Companies' fiscal 2010 year ended on December 31, 2010. The internally prepared financial statements 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 the essential financial information presented in the financial statements will not change.

10. The financial statements indicate the following:

10.1. The Companies report a net loss before taxes of US$56.4 million for the year ended December 31, 2010, after taking into consideration a gain on foreign currency translation of US$21.9 million. The net loss before taxes is represented by an amount of

US$64.1 million for first nine months of the financial year and a profit of US$7.8 million for the fourth quarter. The profit in the fourth quarter takes into consideration a reported a gain on currency translation of US$15.7 million during the fourth quarter.

10.2. The Companies report a negative cash flow from operations of approximately US$21.5 million for the year, including the cash provided by or invested in working capital accounts. That amount is represented by a negative cash flow of US$27.6 million for the nine months ended September 30, 2010 and a positive cash flow of US$6.1 million for the fourth quarter.

10.3. The assets are reported to have a carrying value of US$787.6 million, comprised primarily of current assets (cash, accounts receivable, inventories and other current assets) of US$282.8 million, fixed assets of US$476.9 million and investments in affiliated entities (SP Newsprint) of US$25.1 million. The liabilities are reported to total US$1,009.3 million, including US$164.0 million in pension and other post retirement benefit obligations, leaving an equity deficit of US$221.8 million.

Based on our understanding of the security granted by the Companies to their lenders, the interim financing lender has security over all assets and undertakings of the Companies, in support of its debt of approximately US$121.0 million at December 31, 2010. The first ranking term lenders, swap counterparties and 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$259.1 million[7].

We point out that while the Companies report that the assets have a carrying value of US$787.6 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 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.

10.4. The Companies report that the current accounts payable and accrued liabilities at December 31, 2010 total US$87.9 million, compared with a level of US$91.1 million in September 2010. The cash, accounts receivable and inventories increased by US$12.0 million between September and December 2010 and the accounts payable and

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7 We have excluded cash collateral of US$7.0 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 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.

accrued liabilities decreased by US$3.2 million for the same period, which suggests that the financial position of the WB Group improved slightly between September and December 2010.

STATUS OF PROCEEDINGS

11. 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 December 9, 2010, and grants an extension until February 25, 2011.

12. As mentioned in the report of the Monitor dated December 7, 2010, issued in connection with the last request for an extension of the Initial Order, the Companies' restructuring activities continue to be focused exclusively at this stage 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[9], 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**").

13. The conditions to closing have not yet been fulfilled. We understand from our discussions with Management that the main issues that still need to be resolved relate to obtaining an authorization from Industry Canada pursuant to its review of the proposed transaction under the *Investment Canada Act*[10], and negotiating the terms of the collective bargaining agreements with the work force.

14. Although these issues are taking longer to resolve than originally hoped, we have had no indication from Management or from BDWBI that any issue has arisen which could jeopardize the Companies' ability to complete the contemplated transaction, and we believe that BDWBI is still interested and eager to complete the proposed transaction. The Closing of the transaction, which was anticipated to take place in January 2011, is now expected to occur in March 2011.

15. 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:

    15.1. Closing of the transaction with BDWBI;

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

    15.3. 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;

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9 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.

10 *Investment Canada Act*, R.S.C. 1985, c. 28 (1st supp.), as amended.

15.4. Determining with the Companies whether funds should be distributed as part of Plan of arrangement and/or opportunity of filing a Plan of arrangement to address other issues.

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

16. Even if a closing can take place in March or April 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 15.2 and 15.5 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

17. 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 December 7, 2010.

Cash flow results/Interim Financing

18. 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.

19. The most recent cash flow projections filed with the Court were prepared for the 13 weeks ending February 25, 2011. For ease of reference, these cash flow projections are attached hereto as Appendix B.

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

21. Essentially, the comparison of actual and projected results for the 11 weeks ended February 11, 2011 indicates that while the projections contemplated a negative cash flow of US$23.2 million for the 11 week period, the actual results yielded a negative cash flow of US$6.6 million, or a favourable variance of US$16.6 million. As a result, WB Group's cash on hand stands at approximately US$72.6 million, as at February 11, 2011. The variance is attributed primarily to the following:

21.1. Higher than projected collection of accounts receivable, by approximately US$7.5 million, attributed to a timing difference in collections.

The accounts receivable were projected to be US$106.0 million as at February 11, 2011, and they are reported to amount to US$89.6 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 lower than anticipated during the projection period, by approximately US$8.9 million.

21.2. Lower than projected disbursements, by approximately US$9.1 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$72.8 million as at February 11, 2011, and they are reported to amount to US$79.7 million as at that date. Management indicated the Companies traditionally build up inventories during the winter months to ensure an uninterrupted supply of fiber during this period.

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$12.7 million.

22. 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$8.5 million in receipts, and a favourable variance of US$3.3 million in disbursements, for a net favourable variance of US$11.7 million in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 21.

23. Overall, the decrease in cash balances and accounts receivable, offset in part by an increase in inventories, suggests that the Companies' position deteriorated slightly (by US$5.3 million) during the period. However, the Monitor considers that this theoretical deterioration 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

24. Management provided us with an updated cash flow projection for WB Group, for the 13 weeks ending May 13, 2011, and these cash flow projections are attached to this report as Appendix C[11]. The opening cash position on these cash flow projections represents the actual cash on hand as of February 11, 2011. The remainder of the amounts represents a projection, as the actual results for the week of February 18, 2011 have not yet been compiled.

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

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[11] Management has also provided us with an updated cash flow projection for WB Canada, for the 13 week period ending May13, 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.

CONCLUSIONS AND RECOMMENDATIONS

26. The Initial Order as previously extended is scheduled to expire on February 25, 2011, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until May 13, 2011.

27. 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 May 13, 2011, to allow WB Group to complete the sale process, would not be prejudicial to the creditors of WB Group.

28. 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.

29. 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 May 13, 2011.

All of which is respectfully submitted this 18th day of February 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 financial year ended December 31, 2010

WHITE BIRCH PAPER COMPANY
CONSOLIDATED
FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2010

(IN UNITED STATES DOLLARS)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

BALANCE SHEET
(IN U.S.$)
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS :				
Cash			$	77,321,719
Cash Collateral				6,984,205
Accounts Receivable - Trade				91,034,711
Accounts Receivable - Miscellaneous				13,698,311
Inventory:				
Raw Materials & Stores	$	55,987,809		
Finished		21,044,623		77,032,432
Prepaid Expenses				15,927,875
Timberdeeds				52,894
R&D Credit Receivable				301,020
Due from Affiliates				457,771
Total Current Assets				282,810,938
PROPERTY, PLANT AND EQUIPMENT AT COST	$	1,199,615,019		
Less - Accumulated Depreciation		-722,742,067		476,872,952
OTHER LONG TERM ASSETS				845,927
LONG TERM INVESTMENT				564,413
INVESTMENT IN SP NEWSPRINT				25,110,110
DEFERRED FINANCING COSTS				1,351,336
Total Assets			$	787,555,676

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities			$	36,134,388
Pre-Petition Account Payable				51,768,004
Current Portion Long-Term Debt				864,555
Accrued Service Charges				746,523
Income Taxes Payable				25,126,047
Derivative Contracts				51,807,858
DIP Loan				120,955,000
Accrued Interest				29,647,510
Total Current Liabilities				317,049,885
NON-CURRENT PENSION AND POSTRETIREMENT				89,852,595
DEFERRED PENSION COSTS				74,115,911
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				1,009,312,352
STOCKHOLDERS' EQUITY				
Contributed Capital				129,642,930
Retained Earnings				-299,458,084
Accumulated Other Comprehensive Loss				-58,671,218
Translation Adjustment				6,729,696
Total Stockholders' Equity				-221,756,676
Total Liabilities and Stockholders' Equity			$	787,555,676

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF INCOME
(IN U.S.$)
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

	2010 YEAR TO DATE	2009 YEAR TO DATE
SALES		
Gross	$ 764,845,795	$ 666,940,348
Freight	-87,926,231	-63,692,482
Net Sales	676,919,564	603,247,866
COST OF GOODS SOLD	-683,935,355	-602,612,944
Gross Profit	-7,015,791	634,922
GENERAL AND ADMINISTRATIVE EXPENSE		
Service Fee	-22,945,463	-20,008,331
Goodwill	0	-36,472,650
Investment Tax Credit	0	-8,321,864
Other	-22,161,586	-10,229,681
Operating Profit (Loss)	-52,122,840	-74,397,604
OTHER INCOME (EXPENSE)		
Interest Expense	-25,536,964	-49,047,804
Gain (Loss) on Currency Translation	21,916,365	44,252,982
Deferred Financing	0	-20,156,301
Gain (Loss) on Derivative Contacts	0	23,396,797
Interest Income	75,586	92,194
Other Income (Expense)	-690,880	1,292,174
Net Income (Loss) from Operations	-56,358,733	-74,567,562
TAX PROVISION	541,450	-69,888,590
Net Income (Loss)	-55,817,283	-144,456,152
RETAINED EARNING BEGINNING OF MONTH	-243,640,801	-81,978,610
PRIOR PERIOD ADJUSTMENT	- 0 -	- 0 -
DISTRIBUTION DURING THE MONTH	- 0 -	-17,206,039
RETAINED EARNING END OF MONTH	$ -299,458,084	$ -243,640,801

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF CASH FLOWS

(IN U.S.$)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

CASH PROVIDED BY (USED FOR):		2010	2009
OPERATIONS			
Net Income (Loss)		$ -55,817,283	$ -144,456,152
Translation Adjustment		-9,716,842	13,976,482
Accumulated Other Comprehensive Loss		0	-27,482,003
Items not affecting cash			
Effect of exchange rate fluctuations on cash		-19,249,113	-65,689,027
Depreciation		57,907,409	53,892,134
Gain on sale of Property, Plant and Equipment		0	-1,850,286
Amortization of Deferred Costs		5,741,276	4,145,735
Deferred Financing Costs		0	20,097,859
Derivative Contracts		0	-12,404,065
Deferred Income Taxes		0	32,609,303
Deferred Pension Costs		2,390,929	2,051,483
Non-current Pension and Postretirement		4,289,356	44,773,142
Other Long Term Assets		-54,374	-1,049,447
ITC & R&D Credit Receivable		0	5,937,912
Goodwill		0	31,787,252
Property, Plant and Equipment (ITC & Capital Tax)		0	-1,170,264
Long Term Investment		-26,944	-78,131
Provided from operations		-14,535,586	-44,908,073
WORKING CAPITAL			
Accounts Receivable Trade	$ -13,680,000		
Accounts Receivable Miscellaneous	-7,436,367		
Inventory	-2,830,540		
Prepaid Expenses	-13,256,241		
Timberdeeds	-51,894		
Due from Affiliates	229,535		
R&D Credit Receivable	403,327		
Deferred Costs	-7,100,000		
Income Taxes Payable	1,368,935		
Accounts Payable and Accrued Liabilities	27,207,489		
Accrued Service Charges	457,817		
Due to Affiliates	0		
Accrued Interest	7,692,579		
Cash provided by (used for) noncash working capital		-6,995,360	86,173,339
		-21,530,946	41,265,266
FINANCING			
Increase in Long-Term Debt		125,955,000	93,000,000
Decrease in Long-Term Debt		-46,860,869	-67,534,129
		57,563,185	66,731,137
INVESTMENT			
Repayment of Additional Contributed Capital		0	-53,324,652
Proceeds from sale of Property, Plant and Equipment		0	2,282,628
Disposal of Property, Plant and Equipment		503,598	0
Additions to Property, Plant and Equipment		-5,907,471	-9,086,254
		52,159,312	6,602,859
DISTRIBUTION TO BRANT PAPER COMPANY		0	-17,206,039
INCREASE (DECREASE) IN CASH DURING THE PERIOD		52,159,312	-10,603,180
CASH BEGINNING OF PERIOD		32,146,612	42,749,792
CASH END OF PERIOD		$ 84,305,924	$ 32,146,612

Appendix B – 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	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														
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**

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

Confidential

White Birch Paper Holding Company
Rolling Weekly Forecast - WB CANADA ONLY
Weeks Ended December 3, 2010-February 25, 2011

CONFIDENTIAL

In $000's

	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

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

Appendix C – Comparison of actual and projected results for the 11 weeks ended February 11, 2011

White Birch Paper

Cash Flow Forecast - Variance Report
Actual Compared With 13-Week CFF (Dated December 2, 2010)

For the Weeks Ended February 11, 2011

16/02/2011

Confidential

White Birch Paper
Cash Flow Forecast Variance Report to 13-Week CFF (Dated 12/2/10)
Weeks Ended February 11, 2011
Consolidated

In $000's

	Cumulative 11-Week Variance to 13-Week CFF		
	Actual 11/27 Through 2/11	Forecast 11/27 Through 2/11	B (W) than Forecast 2/11
Operating Receipts			
Bear Island	$ 30,670	$ 31,647	$ (977)
Stadacona	76,272	73,196	3,077
F.F. Soucy	36,918	33,210	3,708
Papier Masson	34,849	33,164	1,685
Total Operating Receipts	178,709	171,216	7,493
Operating Disbursements			
Fiber	(32,202)	(35,410)	3,208
Chemicals	(9,652)	(9,083)	(569)
Electricity	(37,872)	(37,993)	121
Recycle Material	(13,438)	(11,481)	(1,957)
Other Materials and Other Utilities	(23,049)	(21,063)	(1,986)
Property Taxes	(949)	(10)	(939)
Salaried and Hourly Payroll - Gross	(18,349)	(17,645)	(704)
Pension Plan and Group Insurance	(3,131)	(3,151)	20
Freight	(22,624)	(24,605)	1,981
Maintenance Equipment	(4,041)	(4,224)	183
Major Maintenance	(3,606)	(2,484)	(1,122)
Capital Expenditures	(1,184)	(1,685)	501
Professional Fees	(125)	(588)	463
Leases	(333)	(277)	(57)
Other	(2,694)	(2,348)	(346)
Management Fee	(5,611)	(6,090)	479
Total Operating Disbursements	(178,860)	(178,137)	(723)
Net Operating Cash Flow	(151)	(6,921)	6,770
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(2,753)	(12,782)	10,029
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	0	-	0
Interest Payments	(3,673)	(3,450)	(223)
Total Non-Operating Cash Flow and Restructuring	(6,426)	(16,232)	9,806
Net Operating Receipts (Disbursements)	$ (6,577)	$ (23,153)	$ 16,576
BEG. BOOK CASH BALANCE	$ 79,163	$ 79,163	$ -
Net Receipts (Disbursements)	(6,577)	(23,153)	16,576
DIP Term Loan Borrowing	-	1,045	(1,045)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	72,586	57,055	15,531
Unused DIP Commitment	1,045	-	1,045
LIQUIDITY	$ 73,631	$ 57,055	$ 16,576
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
Cash Flow Forecast - Cumulative Variance Report to 13-Week CFF (Dated 12/2/10)
Weeks Ended February 11, 2011

White Birch Paper Holding Company - Canada Only	Cumulative 11-Week Variance to 13-Week CFF		
In $000's	Actual 11/27 to 2/11	Forecast 11/27 to 2/11	B (W) than Forecast 2/11
Operating Receipts			
Stadacona	76,272	73,196	3,077
F.F. Soucy	36,918	33,210	3,708
Papier Masson	34,849	33,164	1,685
Total Operating Receipts	148,039	139,569	8,470
Operating Disbursements			
Fiber	(29,022)	(32,750)	3,728
Chemicals	(6,670)	(6,492)	(178)
Electricity	(31,838)	(31,673)	(165)
Recycle Material	(10,758)	(9,075)	(1,683)
Other Materials and Other Utilities	(19,784)	(17,777)	(2,007)
Property Taxes	(273)	-	(273)
Salaried and Hourly Payroll - Gross	(14,158)	(13,565)	(593)
Pension Plan and Group Insurance	(3,131)	(3,151)	20
Freight	(20,347)	(21,493)	1,146
Maintenance Equipment	(3,006)	(2,422)	(585)
Major Maintenance	(2,605)	(1,725)	(880)
Capital Expenditures	-	(400)	400
Professional Fees	(97)	(550)	453
Leases	(247)	(172)	(75)
Other	(2,694)	(2,348)	(346)
Management Fee	(4,565)	(5,063)	498
Total Operating Disbursements	(149,197)	(148,657)	(540)
Net Operating Cash Flow	(1,158)	(9,088)	7,930
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,544)	(9,652)	8,108
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(3,505)	-	(3,505)
Interest Payments	(3,673)	(2,879)	(794)
Total Non-Operating Cash Flow and Restructuring	(8,722)	(12,531)	3,809
Net Operating Receipts (Disbursements)	$ (9,879)	$ (21,619)	$ 11,739
BEG. BOOK CASH BALANCE	$ 71,884	$ 71,884	$ -
Net Receipts (Disbursements)	(9,879)	(21,619)	11,739
DIP Term Loan Borrowing	-	874	(874)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	62,005	51,140	10,865
Unused DIP Commitment	1,045	-	1,045
LIQUIDITY	$ 63,050	$ 51,140	$ 11,910
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	-	874	(874)
DIP Loan Balance at End of Week / Period	$ 120,955	$ 121,829	$ (874)

Appendix D – Cash flow projections of WB Group - 13 weeks ending May 13, 2011

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending February 18 through May 13, 2011

17/02/2011

Confidential

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

Rolling Weekly Forecast

Weeks Ended February 18 - May 13, 2011

In $000's

	Wk Ended 2/18	Wk Ending 2/25	Wk Ending 3/4	Wk Ending 3/11	Wk Ending 3/18	Wk Ending 3/25	Wk Ending 4/1	Wk Ending 4/8	Wk Ending 4/15	Wk Ending 4/22	Wk Ending 4/29	Wk Ending 5/6	Wk Ending 5/13	13 Week Total
Operating Receipts														
Bear Island	$ 3,482	$ 1,636	$ 2,828	$ 2,731	$ 1,553	$ 3,100	$ 3,850	$ 2,400	$ 2,750	$ 3,500	$ 3,200	$ 3,150	$ 3,250	$ 37,429
Stadacona	6,806	9,570	4,458	4,639	7,885	11,185	7,129	7,236	7,477	7,457	12,397	7,040	8,532	101,812
F. F. Soucy	5,225	5,720	6,145	1,957	1,845	1,700	4,775	1,806	3,664	1,850	2,625	1,918	6,229	45,457
Papier Masson	2,944	3,012	3,990	4,483	2,549	3,283	3,605	2,113	3,814	2,461	2,582	3,098	3,244	41,180
Total Operating Receipts	18,457	19,938	17,422	13,810	13,832	19,268	19,359	13,555	17,705	15,268	20,804	15,206	21,255	225,879
Operating Disbursements														
Fiber	(3,468)	(3,404)	(3,476)	(3,472)	(3,516)	(3,476)	(3,476)	(3,476)	(3,491)	(3,476)	(3,476)	(3,476)	(3,472)	(45,153)
Chemicals	(1,161)	(738)	(893)	(811)	(935)	(737)	(758)	(915)	(940)	(731)	(721)	(876)	(726)	(10,938)
Electricity	(3,250)	(4,235)	(2,878)	(3,347)	(3,262)	(4,152)	(3,317)	(3,332)	(3,242)	(3,242)	(4,427)	(3,292)	(3,292)	(45,268)
Recycle Material	(1,183)	(1,215)	(1,330)	(1,250)	(1,240)	(1,240)	(1,315)	(1,240)	(1,240)	(1,240)	(1,315)	(1,240)	(1,195)	(16,244)
Other Materials and Other Utilities	(2,582)	(2,110)	(2,162)	(2,206)	(2,008)	(1,963)	(1,934)	(2,053)	(2,463)	(2,092)	(1,783)	(2,103)	(1,981)	(27,441)
Property Taxes	(81)	(671)	-	-	(5)	-	-	-	(5)	-	-	-	-	(762)
Salaried and Hourly Payroll- Gross	(1,777)	(1,339)	(1,761)	(1,292)	(1,814)	(1,364)	(1,676)	(1,392)	(1,814)	(1,364)	(1,676)	(1,629)	(1,616)	(20,508)
Pension Plan and Group insurance	(323)	(452)	(515)	(2)	(3)	(802)	(328)	(189)	(3)	(802)	(328)	(189)	(3)	(3,937)
Freight	(2,267)	(2,306)	(2,155)	(2,148)	(2,151)	(2,146)	(2,203)	(2,145)	(2,145)	(2,145)	(2,145)	(2,146)	(2,046)	(28,148)
Maintenance Equipment	(218)	(322)	(471)	(292)	(346)	(277)	(424)	(301)	(311)	(287)	(546)	(292)	(287)	(4,373)
Major Maintenance	(339)	(265)	(139)	(325)	(283)	(154)	(130)	(185)	(355)	(255)	(150)	(325)	(325)	(3,232)
Capital Expenditures	(23)	(207)	(50)	(58)	(135)	(180)	(110)	-	(100)	-	(280)	-	(200)	(1,343)
Professional Fees	(100)	(25)	(10)	(20)	(15)	(10)	(50)	(15)	(15)	(10)	(20)	(15)	(100)	(404)
Leases	(37)	(5)	-	(86)	-	(0)	(5)	(83)	(3)	(1)	(5)	(83)	(0)	(310)
Other	(52)	(102)	(52)	(77)	(102)	(77)	(327)	(77)	(102)	(52)	(52)	(327)	(77)	(1,477)
Management Fee	(707)	-	(1,605)	-	(707)	-	(1,605)	-	(707)	-	(1,605)	-	-	(6,935)
Total Operating Disbursements	(17,568)	(17,396)	(17,497)	(15,385)	(16,520)	(16,577)	(17,656)	(15,403)	(16,935)	(15,696)	(18,528)	(15,992)	(15,319)	(216,472)
Net Operating Cash Flow	889	2,542	(75)	(1,575)	(2,688)	2,691	1,703	(1,848)	771	(428)	2,277	(786)	5,935	9,406
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(663)	(532)	(211)	(465)	(555)	(625)	(7,660)	-	(105)	-	-	(1,545)	-	(12,361)
Interest Payments	-	-	(1,404)	-	-	-	-	(1,404)	-	-	-	(1,404)	-	(4,212)
Total Non-Operating Cash Flow and Restructuring	(663)	(532)	(1,615)	(465)	(555)	(625)	(7,660)	(1,404)	(105)	-	-	(2,949)	-	(16,573)
Net Operating Receipts (Disbursements)	$ 226	$ 2,010	$ (1,690)	$ (2,040)	$ (3,243)	$ 2,066	$ (5,957)	$ (3,252)	$ 666	$ (428)	$ 2,277	$ (3,735)	$ 5,935	$ (7,167)
BEG. BOOK CASH BALANCE	$ 72,586	$ 72,812	$ 74,822	$ 73,132	$ 71,092	$ 67,848	$ 69,914	$ 63,957	$ 60,705	$ 61,371	$ 60,942	$ 63,219	$ 59,484	$ 72,586
Net Receipts (Disbursements)	226	2,010	(1,690)	(2,040)	(3,243)	2,066	(5,957)	(3,252)	666	(428)	2,277	(3,735)	5,935	(7,167)
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	72,812	74,822	73,132	71,092	67,848	69,914	63,957	60,705	61,371	60,942	63,219	59,484	65,419	65,419
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
LIQUIDITY	$ 73,857	$ 75,867	$ 74,177	$ 72,137	$ 68,893	$ 70,959	$ 65,002	$ 61,750	$ 62,416	$ 61,987	$ 64,264	$ 60,529	$ 66,464	$ 66,464
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
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

White Birch Paper
13 Week Cash Flow Forecast CONFIDENTIAL
Weeks Ended February 18 - May 13, 2011

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 April 1 includes approximately $3.1 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 May 13, 2011

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

Weeks Ending February 18 through May 13, 2011

17/02/2011

Confidential

White Birch Paper Holding Company

CONFIDENTIAL

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

Weeks Ended February 18 - May 13, 2011

	Wk Ended 2/18	Wk Ending 2/25	Wk Ending 3/4	Wk Ending 3/11	Wk Ending 3/18	Wk Ending 3/25	Wk Ending 4/1	Wk Ending 4/8	Wk Ending 4/15	Wk Ending 4/22	Wk Ending 4/29	Wk Ending 5/6	Wk Ending 5/13	13 Week Total
Operating Receipts														
Stadacona	6,806	9,570	4,458	4,639	7,885	11,185	7,129	7,236	7,477	7,457	12,397	7,040	8,532	101,812
F. F. Soucy	5,225	5,720	6,145	1,957	1,845	1,700	4,775	1,806	3,664	1,850	2,625	1,918	6,229	45,457
Papier Masson	2,944	3,012	3,990	4,483	2,549	3,283	3,605	2,113	3,814	2,461	2,582	3,098	3,244	41,180
Total Operating Receipts	14,975	18,302	14,594	11,079	12,279	16,168	15,509	11,155	14,955	11,768	17,604	12,056	18,005	188,450
Operating Disbursements														
Fiber	(3,188)	(3,124)	(3,196)	(3,192)	(3,276)	(3,236)	(3,236)	(3,236)	(3,251)	(3,236)	(3,236)	(3,236)	(3,232)	(41,873)
Chemicals	(598)	(560)	(690)	(550)	(540)	(550)	(540)	(720)	(551)	(540)	(560)	(710)	(560)	(7,670)
Electricity	(2,705)	(3,690)	(2,705)	(2,705)	(2,705)	(3,595)	(2,705)	(2,705)	(2,705)	(2,705)	(3,690)	(2,705)	(2,705)	(38,025)
Recycle Material	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(12,350)
Other Materials and Other Utilities	(2,179)	(1,773)	(1,861)	(1,784)	(1,741)	(1,705)	(1,693)	(1,783)	(2,202)	(1,748)	(1,551)	(1,798)	(1,713)	(23,531)
Property Taxes	(65)	(671)	-	-	-	-	-	-	-	-	-	-	-	(736)
Salaried and Hourly Payroll- Gross	(1,341)	(933)	(1,523)	(901)	(1,363)	(973)	(1,438)	(1,001)	(1,363)	(973)	(1,438)	(1,238)	(1,363)	(15,842)
Pension Plan and Group insurance	(323)	(452)	(515)	(2)	(3)	(802)	(328)	(189)	(3)	(802)	(328)	(189)	(3)	(3,937)
Freight	(2,004)	(2,048)	(1,873)	(1,873)	(1,873)	(1,873)	(1,923)	(1,873)	(1,873)	(1,873)	(1,873)	(1,873)	(1,773)	(24,600)
Maintenance Equipment	(205)	(157)	(258)	(129)	(178)	(114)	(261)	(139)	(149)	(114)	(383)	(129)	(124)	(2,341)
Major Maintenance	(240)	(100)	(95)	(325)	(180)	(100)	(95)	(85)	(315)	(215)	(110)	(285)	(285)	(2,430)
Capital Expenditures	-	-	-	-	-	-	(50)	-	-	-	-	-	-	(50)
Professional Fees	(100)	(25)	(10)	(10)	(10)	(10)	(50)	(10)	(10)	(10)	(20)	(10)	(100)	(375)
Leases	-	-	-	(86)	-	-	-	(83)	(3)	-	-	(83)	-	(254)
Other	(52)	(102)	(52)	(77)	(102)	(77)	(327)	(77)	(102)	(52)	(52)	(327)	(77)	(1,477)
Management Fee	(564)	-	(1,355)	-	(564)	-	(1,355)	-	(564)	-	(1,355)	-	-	(5,758)
Total Operating Disbursements	(14,516)	(14,584)	(15,082)	(12,583)	(13,484)	(13,984)	(14,951)	(12,849)	(14,039)	(13,217)	(15,545)	(13,531)	(12,884)	(181,249)
Net Operating Cash Flow	460	3,718	(489)	(1,504)	(1,205)	2,185	559	(1,695)	916	(1,449)	2,060	(1,476)	5,121	7,200
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(393)	(300)	(138)	(294)	(405)	(350)	(6,250)	-	(105)	-	-	(1,075)	-	(9,309)
Interest Payments	-	-	(1,173)	-	-	-	-	(1,171)	-	-	-	(1,172)	-	(3,515)
Total Non-Operating Cash Flow and Restructuring	(393)	(300)	(1,311)	(294)	(405)	(350)	(6,250)	(1,171)	(105)	-	-	(2,247)	-	(12,825)
Net Operating Receipts (Disbursements)	$ 67	$ 3,418	$ (1,799)	$ (1,798)	$ (1,610)	$ 1,835	$ (5,691)	$ (2,865)	$ 811	$ (1,449)	$ 2,060	$ (3,723)	$ 5,121	$ (5,624)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 62,005	$ 62,072	$ 65,489	$ 63,690	$ 61,892	$ 60,282	$ 62,117	$ 56,426	$ 53,561	$ 54,371	$ 52,923	$ 54,982	$ 51,260	$ 62,005
Net Receipts (Disbursements)	67	3,418	(1,799)	(1,798)	(1,610)	1,835	(5,691)	(2,865)	811	(1,449)	2,060	(3,723)	5,121	(5,624)
DIP Term Loan Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	62,072	65,489	63,690	61,892	60,282	62,117	56,426	53,561	54,371	52,923	54,982	51,260	56,381	56,381
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
LIQUIDITY	$ 63,117	$ 66,534	$ 64,735	$ 62,937	$ 61,327	$ 63,162	$ 57,471	$ 54,606	$ 55,416	$ 53,968	$ 56,027	$ 52,305	$ 57,426	$ 57,426
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
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

White Birch Paper Holding Company- CANADA ONLY
13 Weekly Cash Flow Forecast
Weeks Ended February 18 - May 13, 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 February 18 to May 13, 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 April 1 includes approximately $3.1 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**