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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11-038474-108

S U P E R I O R C O U R T
Commercial Division
Designated tribunal under the
Companies' Creditors Arrangement Act[1]

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE AND ARRANGEMENT OF WHITE BIRCH PAPER HOLDING COMPANY AND VARIOUS SUBSIDIARIES AND AFFILIATES

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

REPORT OF THE MONITOR – JULY 20, 2012

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a Motion made by White Birch Paper Holding Company ("**White Birch**") and various of its affiliates (collectively referred to as the "**Applicants**"), the Superior Court of the Province of Québec for the District of Montréal ("**Court**"), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**")[1] issued an order ("**Initial Order**") declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. ("**EYI**" or "**Monitor**") as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest ("**Partnerships**") (the Applicants and the Partnerships are hereinafter referred to collectively as "**WB Canada**")[2]. The Initial Order has since been extended and is now scheduled to expire on June 29, 2012.

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

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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.

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 Bankruptcy Court for the Eastern District of Virginia, Richmond Division ("**U.S. Court**") at the request of Bear Island, can be found on the website of the claims agent retained by Bear Island, Garden City Group, Inc., at www.gardencitygroup.com/cases/bip.

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

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

5. The Initial Order as previously extended is scheduled to expire on July 24, 2012, and the Applicants have indicated their intention to seek a further extension of the Initial Order.

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

    6.1. Introduction and background;

    6.2. Terms of reference and disclaimer;

    6.3. Current activities;

    6.4. Restructuring steps;

    6.5. Status of Proceedings; 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.

CURRENT ACTIVITIES

9. The Monitor prepared several reports to the Court addressing the activities of the WB Group. The matters discussed in the said reports are still relevant, and will not be repeated herein. The present report only addresses matters that have changed since our latest report dated June 26, 2012.

Cash flow results/Interim Financing

10. The most recent cash flow projections filed with the Court were prepared for the 13 weeks ending September 14, 2012. For ease of reference, these cash flow projections are attached hereto as Appendix A.

11. WB Group and its advisors prepared a comparison of the actual and projected results, for the 4 weeks ended July 13, 2012, annexed to this report as Appendix B. The Monitor reviewed this comparison with management, and as a result of this review, the Monitor has no reason to doubt the reasonableness of the explanations provided for the variances.

12. Essentially, the comparison of actual and projected results for the 4 weeks ended July 13, 2012 indicates that the projections contemplated a negative cash flow of US$1.3 million for the 4 week period,[7] while the actual results indicate the Companies had a positive cash flow of US$7.6 million, representing a variance of US$8.8 million. The variance is attributed primarily to a combination of the following:

    12.1. Higher than projected receipts by US$3.5 million or 8.7% of the projected amount, of which approximately US$2.2 million (or 5.4% of the projected amount) relates to accounts receivable.

    The accounts receivable were projected to be US$64.3 million as at July 13, 2012, and they are reported to amount to US$63.3 million as at that date. If the variance were strictly related to a faster collection period, 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 variance in the cash receipts, suggests that the revenues were higher than anticipated during the projection period, by approximately US$1.1 million, or approximately 2.7%.

    12.2. Lower than projected disbursements, by approximately US$5.3 million,[7] or 12.6% of the projected amount.

    The inventories were projected to be US$69.9 million as at July 13, 2012, and they are reported to amount to US$74.8 million as at that date.

    We do not have current information on the accounts payable on a week by week basis, but in view of the proceedings under the CCAA and the Code, we would expect these to remain fairly stable. As such a variance on disbursements should be a fair estimate of the variance in purchases and expenses. If this assumption is correct, the difference between the actual and projected inventories, in view of the favourable variance in the cash disbursements, suggests that the costs (costs of goods sold, operating expenses, professional fees and interest) were lower than anticipated during the projection period, by approximately US$10.2 million or 23.1% of the projected amount.

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7 Including operating disbursements, professional fees and interest.

13. The comparison of actual and projected results (Appendix B) also presents data compiled to isolate the results of WB Canada. The results for WB Canada indicate a favorable variance of US$4.4 million or 15.6% in receipts, and a favorable variance of US$2.0 million or 6.7% in disbursements, for a net favourable variance of US$6.4 million in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 12.

14. The results for the 4 weeks ended July 13, 2012 indicate an improvement in the cash balance, by US$7.6 million for WB Group (US$4.9 million for WB Canada). As a result, WB Group's cash on hand stands at approximately US$110.5 million, as at July 13, 2012 (US$80.2 million for WB Canada).

Overall, the changes in cash, accounts receivable and inventory positions suggest that the Companies' position improved during the 4 week period ended July 13, 2012. However, the Monitor considers that this change is not significant in the circumstances and could be artificial if it is the result of a timing difference in the payment of accounts payable.

Updated projections

15. Management provided us with an updated cash flow projection for WB Group, for the 13 weeks ending October 12, 2012, and these cash flow projections are attached to this report as Appendix C.[8] The opening cash position on these cash flow projections represents the actual cash on hand as of July 13, 2012. The remainder of the amounts represents a projection, as the actual results for the week of July 20, 2012 have not yet been compiled.

16. The projections take into consideration the re-inception of operations at the Stadacona plant, announced by the Companies for early August 2012. Management expects the re-opening of the Stadacona plant will have an impact on the cash flow, as the Companies will have to invest some cash in working capital as it produces goods and generates accounts receivable. In view of this investment in working capital, the projections for the 13 weeks ending October 12, 2012 contemplate a significant negative cash flow, which would reduce the liquidity by approximately US$30.5 million over the projection period. The projections indicate that approximately $25.2 million of this decrease in liquidity is attributable for the most part to the ramp up of operations at Stadacona.

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

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[8] Management has also provided us with an updated cash flow projection for WB Canada, for the 13 week period ending October 12, 2012, extracted from the above-mentioned projection for the WB Group, and prepared on the same basis. This cash flow projection is attached as Appendix D.

RESTRUCTURING STEPS

18. On June 13, 2012, the Companies gave notice of its decision to resiliate an agreement with the City of Québec, in accordance with the provisions of section 32 of the CCAA.

19. The Monitor understands that the agreement pertains to the purchase of steam, used as a source of energy in the Companies' manufacturing process in Stadacona. The steam is apparently generated by the City of Québec as a by-product of its activities of providing services to residents, and sold to Stadacona on a fixed price contract per annum.

20. The explanation given to the Monitor for the decision to resiliate the agreement is essentially that the contract became uneconomical in view of the decreased level of activity at Stadacona, because it is a fixed price contract and the energy requirements of the plant have been reduced.

21. The decision to resiliate the agreement was discussed with the Monitor in advance of issuing the notice, and the Monitor agreed with this decision. A copy of the notice of resiliation indicating the Monitor's consent thereto is attached as Appendix E.

22. The City of Quebec contested the decision to resiliate the agreement, by motion filed on June 29, 2012.

STATUS OF PROCEEDINGS

23. 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 June 29, 2012 and grants an extension until July 24, 2012.

24. Since the hearing on June 29, 2012, the Monitor has been informed that the Companies have been able to resolve all substantial issues regarding the new collective bargaining agreement, including obtaining an approval from the Régie des Rentes du Québec regarding the terms and conditions of the new pension benefit plan that will be made available to the unionized employees after the closing of the transaction with BDWBI.

25. The Monitor understands that the Companies and the SCEP have agreed on all substantial issues, and that the new collective bargaining agreements have been signed. In view of the progress made to date towards finalization of the new labour arrangements, the Companies have been able to announce the re-opening of the Stadacona plant for early August 2012.

26. The Regroupement des Employés Retraités de White Birch Stadacona ("**Regroupement**") have agreed upon the restart of the Stadacona plant to withdraw the appeal lodged in connection with the decision of the Court, pertaining to the assertion by Regroupement that the amounts due to the pension plans should have priority over the security granted in favour of the Interim lender, and that the Companies should be forbidden to repay any amount to the

Interim Lender[9]. A withdrawal of the appeal by the Regroupement will alleviate the uncertainty regarding the status of the proceedings and will remove a hurdle in the path towards closing of the transaction with BDWBI.

27. With regards to the conditions to closing as outlined in paragraph 22 of the Monitor's report dated June 26, 2012, the current status is as follows:

27.1. Industry Canada has completed its review of the proposed transaction under the *Investment Canada Act*[10], and has advised that the transaction has been approved.

27.2. The Companies continue to work with the non unionized employees regarding what will be the conditions of employment after the closing of the transaction with BDWBI. The Monitor was advised by BDWBI and management that they do not anticipate these will be problematic.

28. The Monitor has been informed that the Companies and BDWBI are now actively working on the documentation required to proceed to a closing of the transaction, and are holding weekly follow-up calls. The Monitor has been informed that while a definitive date has not yet been established for the closing, the Companies and BDWBI are hopeful that a closing could take place around the end of August 2012.

29. In the context of the closing of the transaction with BDWBI, the Monitor was informed that the Companies will re-initiate work around the following issues:

29.1. Preparation of an allocation of proceeds between the WB Canada and Bear Island, and presentation of the allocation to the Court for approval. It should be noted however that this issue cannot be finalized until the proceeds are known, which will only occur around the date of closing. In fact, while the discussion of the basis of allocation should recommence imminently, it is likely that this issue will only be able to be resolved in its entirety after closing.

29.2. Implementation of a claims process in connection with the claims that may be made against the directors and officers of WB Canada, and for which the D&O Charge[11] was granted. This claims process is contemplated in the asset sale agreement negotiated with BDWBI.

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9 Judgment of the Court rendered on April 20, 2012, in connection with motions filed by the Regroupement and others in November 2011.

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

11 As defined in the Initial Order made on February 24, 2010.

CONCLUSIONS AND RECOMMENDATIONS

30. The Initial Order as previously extended is scheduled to expire on July 24, 2012, and the Applicants have indicated their intention to seek a further extension of the Initial Order.

31. While all elements are not yet in place to schedule a closing of the transaction with BDWBI, the Monitor believes all stakeholders are actively pursuing this objective.

32. In the present circumstances and based on the projections submitted by the Companies, the Monitor believes that a further extension of the stay of proceedings would not be prejudicial to the creditors of WB Group.

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

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

All of which is respectfully submitted this 20th day of July 2012.

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

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

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

Appendix A – Cash flow projections of WB Group - 13 weeks ending September 14, 2012

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending June 22 through Sep. 14, 2012

6/21/2012

Confidential

White Birch Paper
Rolling Weekly Forecast
Weeks Ended June 22 - September 14, 2012

CONSOLIDATED
In $000's

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	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
	6/22	6/29	7/6	7/13	7/20	7/27	8/3	8/10	8/17	8/24	8/31	9/7	9/14	Total
Operating Receipts														
Bear Island	$ 3,881	$ 3,593	$ 2,665	$ 2,296	$ 3,851	$ 2,150	$ 4,100	$ 2,420	$ 2,200	$ 3,840	$ 3,550	$ 2,955	$ 2,350	$ 39,850
Stadacona	421	225	212	287	508	368	477	305	471	268	170	-	39	3,751
F. F. Soucy	3,617	2,616	3,540	2,762	6,108	3,015	3,365	3,587	2,443	2,538	3,446	3,163	4,648	44,847
Papier Masson	3,366	4,694	2,956	3,639	2,379	4,080	2,919	2,375	3,023	2,613	3,540	2,208	2,701	40,492
Total Operating Receipts	11,285	11,127	9,373	8,984	12,846	9,613	10,861	8,686	8,136	9,259	10,706	8,326	9,738	128,939
Operating Disbursements														
Fiber	(2,199)	(2,069)	(2,039)	(2,039)	(2,019)	(1,722)	(1,389)	(1,419)	(1,752)	(1,752)	(1,999)	(1,999)	(2,016)	(24,414)
Chemicals	(334)	(271)	(227)	(502)	(256)	(240)	(247)	(261)	(465)	(291)	(235)	(268)	(465)	(4,063)
Electricity	(2,107)	(2,436)	(2,256)	(2,143)	(2,133)	(2,381)	(2,133)	(2,264)	(2,154)	(2,144)	(1,855)	(2,176)	(2,201)	(28,380)
Recycle Material	(242)	(245)	(301)	(259)	(275)	(275)	(365)	(290)	(290)	(290)	(365)	(290)	(290)	(3,777)
Other Materials and Other Utilities	(1,227)	(994)	(1,125)	(1,006)	(1,090)	(801)	(927)	(1,044)	(991)	(990)	(1,131)	(960)	(1,253)	(13,539)
Property Taxes	-	-	-	(5)	-	-	-	-	(5)	-	-	-	(5)	(15)
Salaried and Hourly Payroll- Gross	(1,445)	(1,172)	(707)	(1,052)	(1,154)	(1,019)	(1,140)	(1,077)	(1,129)	(984)	(1,115)	(1,009)	(1,115)	(14,119)
Pension Plan and Group insurance	(120)	(287)	(104)	(68)	(151)	(333)	(186)	(2)	(69)	(278)	(288)	(104)	(69)	(2,060)
Freight	(1,413)	(1,290)	(1,133)	(1,209)	(1,218)	(1,298)	(1,177)	(1,198)	(1,387)	(1,148)	(1,218)	(1,298)	(1,387)	(16,371)
Maintenance Equipment	(341)	(359)	(365)	(276)	(330)	(476)	(372)	(298)	(329)	(266)	(277)	(277)	(279)	(4,245)
Major Maintenance	(100)	(79)	(142)	(156)	(10)	(144)	(10)	(112)	(10)	(168)	(10)	(60)	(10)	(1,014)
Capital Expenditures	(446)	(24)	(42)	(2)	(288)	(242)	(85)	(313)	(288)	(75)	(7)	(127)	-	(1,939)
Professional Fees	(25)	(25)	(28)	(25)	(25)	(38)	(25)	(25)	(28)	(25)	(25)	(36)	(25)	(355)
Leases	-	(1)	-	(35)	-	(1)	-	-	(35)	(1)	-	-	(35)	(108)
Other	(27)	(527)	(627)	(27)	(27)	(27)	(27)	(282)	(27)	(27)	(27)	(657)	(2,027)	(4,338)
Management Fee	-	(745)	-	(429)	-	(725)	-	-	(429)	-	(725)	-	(429)	(3,481)
Total Operating Disbursements	(10,027)	(10,526)	(9,098)	(9,233)	(8,975)	(9,722)	(8,083)	(8,585)	(9,386)	(8,438)	(9,277)	(9,261)	(11,606)	(122,216)
Net Operating Cash Flow	1,258	601	276	(249)	3,871	(110)	2,778	101	(1,250)	821	1,429	(935)	(1,869)	6,723
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	-	(640)	(760)	(830)	(450)	(8,605)	-	-	-	-	-	(1,605)	-	(12,890)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(207)	(207)	(297)	(207)	(207)	(207)	(297)	(207)	(207)	(207)	(207)	(297)	(207)	(2,961)
Total Non-Operating Cash Flow and Restructuring	(207)	(847)	(1,057)	(1,037)	(657)	(8,812)	(297)	(207)	(207)	(207)	(207)	(1,902)	(207)	(15,851)
Net Operating Receipts (Disbursements)	$ 1,051	$ (246)	$ (781)	$ (1,286)	$ 3,214	$ (8,922)	$ 2,481	$ (106)	$ (1,457)	$ 614	$ 1,222	$ (2,837)	$ (2,076)	$ (9,128)
BEG. BOOK CASH BALANCE	$ 102,927	$ 103,979	$ 103,733	$ 102,951	$ 101,665	$ 104,879	$ 95,958	$ 98,439	$ 98,333	$ 96,876	$ 97,490	$ 98,712	$ 95,875	$ 102,927
Net Receipts (Disbursements)	1,051	(246)	(781)	(1,286)	3,214	(8,922)	2,481	(106)	(1,457)	614	1,222	(2,837)	(2,076)	(9,128)
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	103,979	103,733	102,951	101,665	104,879	95,958	98,439	98,333	96,876	97,490	98,712	95,875	93,799	93,799
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 138,024	$ 137,778	$ 136,996	$ 135,710	$ 138,924	$ 130,003	$ 132,484	$ 132,378	$ 130,921	$ 131,535	$ 132,757	$ 129,920	$ 127,844	$ 127,844
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

White Birch Paper
13 Week Cash Flow Forecast
Weeks Ended June 22 - September 14, 2012

CONFIDENTIAL

Key Assumptions:

1 - **Bankruptcy Filing:**
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast
- Restructuring professional fees for the week ended July 27, 2012 includes approximately $4.0 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

2 - **Includes the Following DIP Financing Assumptions:**
- Pre-petition ABL facility was replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) on March 1, 2010 with terms, as follows:
  - Interest at L+1,000 bps; 2% Libor floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid weekly, as due
  - DIP loans paid or repaid may be reborrowed (subject to the prior written consent of the Majority Lenders)
- Aggregate reserves approximate $18.0 million for the D&O charge and the administrative charge, a carve-out for professional fees and a Canadian Priority Reserve
- Liquidity reflected at any given week includes unused DIP commitment
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company

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

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

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

6 - **Preliminary and subject to change**

Appendix B – Comparison of actual and projected results for the 4 weeks ended July 13, 2012

White Birch Paper
Cash Flow Forecast Variance Report to 13-Week CFF (Dated 6/21/12)
Weeks Ended July 13, 2012
In $000's

	Cumulative 4-Week Variance to 13-Week CFF		
	Actual 6/16 Through 7/13	Forecast 6/16 Through 7/13	B (W) than Forecast 7/13
Operating Receipts			
Bear Island	$ 11,572	$ 12,434	$ (862)
Stadacona	1,124	1,144	(21)
F.F. Soucy	15,783	12,535	3,248
Papier Masson	15,837	14,655	1,182
Total Operating Receipts	44,316	40,769	3,547
Operating Disbursements			
Fiber	(7,875)	(8,347)	472
Chemicals	(1,230)	(1,334)	104
Electricity	(8,821)	(8,942)	121
Recycle Material	(900)	(1,047)	147
Other Materials and Other Utilities	(4,186)	(4,352)	166
Property Taxes	(22)	(5)	(17)
Salaried and Hourly Payroll - Gross	(4,666)	(4,376)	(290)
Pension Plan and Group Insurance	(564)	(580)	15
Freight	(4,229)	(5,045)	816
Maintenance Equipment	(1,418)	(1,342)	(77)
Major Maintenance	(262)	(478)	217
Capital Expenditures	(201)	(514)	313
Professional Fees	(74)	(103)	29
Leases	(24)	(36)	12
Other	(19)	(1,209)	1,190
Management Fee	(1,193)	(1,174)	(20)
Total Operating Disbursements	(35,683)	(38,883)	3,199
Net Operating Cash Flow	8,632	1,886	6,746
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(156)	(2,230)	2,075
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	-	-	-
Interest Payments	(911)	(918)	7
Total Non-Operating Cash Flow and Restructuring	(1,067)	(3,148)	2,081
Net Operating Receipts (Disbursements)	$ 7,566	$ (1,262)	$ 8,828
BEG. BOOK CASH BALANCE	$ 102,927	$ 102,927	$ -
Net Receipts (Disbursements)	7,566	(1,262)	8,828
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	110,493	101,665	8,828
Unused DIP Commitment	34,045	34,045	-
LIQUIDITY	$ 144,538	$ 135,710	$ 8,828
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 87,955	$ 87,955	$ -
DIP Term Loan Borrowing	-	-	-
DIP Loan Balance at End of Week / Period	$ 87,955	$ 87,955	$ -

White Birch Paper Holding Company - WB Canada Only
Cash Flow Forecast - Cumulative Variance Report to 13-Week CFF (Dated 6/21/12)
Weeks Ended July 13, 2012
In $000's

	Cumulative 4-Week Variance to 13-Week CFF		
	Actual 5/19 to 7/13	**Forecast 5/19 to 7/13**	**B (W) than Forecast 7/13**
Operating Receipts			
Stadacona	1,124	1,144	(21)
F.F. Soucy	15,783	12,535	3,248
Papier Masson	15,837	14,655	1,182
Total Operating Receipts	32,744	28,334	4,409
Operating Disbursements			
Fiber	(6,719)	(7,147)	428
Chemicals	(505)	(531)	26
Electricity	(6,289)	(6,396)	107
Recycle Material	-	-	-
Other Materials and Other Utilities	(2,942)	(3,170)	228
Property Taxes	(17)	-	(17)
Salaried and Hourly Payroll - Gross	(3,194)	(2,881)	(313)
Pension Plan and Group Insurance	(564)	(580)	15
Freight	(3,306)	(4,001)	695
Maintenance Equipment	(1,018)	(807)	(212)
Major Maintenance	(140)	(61)	(78)
Capital Expenditures	-	-	-
Professional Fees	(74)	(100)	26
Leases	-	-	-
Other	(19)	(1,209)	1,190
Management Fee	(808)	(756)	(52)
Total Operating Disbursements	(25,595)	(27,638)	2,043
Net Operating Cash Flow	7,148	696	6,452
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(85)	(1,225)	1,140
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(1,208)	-	(1,208)
Interest Payments	(911)	(918)	7
Total Non-Operating Cash Flow and Restructuring	(2,204)	(2,143)	(61)
Net Operating Receipts (Disbursements)	$ 4,944	$ (1,447)	$ 6,391
BEG. BOOK CASH BALANCE	$ 75,277	$ 75,277	$ -
Net Receipts (Disbursements)	4,944	(1,447)	6,391
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	80,222	73,830	6,391
Unused DIP Commitment	34,045	34,045	-
LIQUIDITY	$ 114,267	$ 107,875	$ 6,391
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 87,955	$ 87,955	$ -
DIP Term Loan Borrowing	-	-	-
DIP Loan Balance at End of Week / Period	$ 87,955	$ 87,955	$ -

Appendix C – Cash flow projections of WB Group - 13 weeks ending October 12, 2012

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending July 20 through Oct. 12, 2012

7/19/2012

Confidential

White Birch Paper
Rolling Weekly Forecast
Weeks Ended July 20 - October 12, 2012

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
	7/20	7/27	8/3	8/10	8/17	8/24	8/31	9/7	9/14	9/21	9/28	10/5	10/12	Total
Operating Receipts														
Bear Island	$ 3,338	$ 2,124	$ 4,518	$ 2,344	$ 2,224	$ 3,840	$ 4,150	$ 2,355	$ 2,350	$ 3,745	$ 4,200	$ 2,270	$ 2,200	$ 39,658
Stadacona	343	226	261	312	545	525	1,385	1,787	2,722	2,661	2,927	3,575	4,256	21,525
F. F. Soucy	1,864	2,681	3,634	4,221	4,836	2,190	3,618	3,226	3,083	3,402	5,432	3,411	2,423	44,021
Papier Masson	3,108	4,061	3,864	3,451	3,330	4,053	4,253	2,364	2,494	2,190	3,236	2,237	2,274	40,912
Total Operating Receipts	8,653	9,091	12,276	10,329	10,935	10,608	13,406	9,732	10,648	11,998	15,795	11,493	11,152	146,116
Operating Disbursements														
Fiber	(1,933)	(1,781)	(2,077)	(2,507)	(2,527)	(2,527)	(2,933)	(2,858)	(2,924)	(2,924)	(2,924)	(2,920)	(3,023)	(33,857)
Chemicals	(280)	(245)	(334)	(380)	(574)	(419)	(364)	(397)	(595)	(364)	(394)	(397)	(388)	(5,132)
Electricity	(2,189)	(2,309)	(2,136)	(2,966)	(2,893)	(2,904)	(2,540)	(2,976)	(2,890)	(2,900)	(2,890)	(2,993)	(2,898)	(35,483)
Recycle Material	(210)	(223)	(452)	(571)	(578)	(578)	(653)	(578)	(578)	(578)	(593)	(688)	(613)	(6,893)
Other Materials and Other Utilities	(1,194)	(1,603)	(1,655)	(2,019)	(1,716)	(1,683)	(1,574)	(1,917)	(1,735)	(1,305)	(1,452)	(1,566)	(1,699)	(21,117)
Property Taxes	-	-	-	-	(50)	-	-	(1,677)	(5)	-	-	-	-	(1,732)
Salaried and Hourly Payroll- Gross	(1,191)	(1,066)	(1,253)	(1,357)	(1,546)	(1,244)	(1,533)	(1,315)	(1,561)	(1,343)	(1,516)	(1,310)	(1,564)	(17,798)
Pension Plan and Group insurance	(271)	(206)	(186)	(204)	(69)	(268)	(417)	(104)	(69)	(151)	(564)	(314)	(69)	(2,890)
Freight	(1,468)	(1,369)	(1,207)	(1,248)	(1,504)	(1,526)	(1,496)	(1,526)	(1,504)	(1,676)	(1,496)	(1,476)	(1,696)	(19,194)
Maintenance Equipment	(401)	(350)	(393)	(353)	(345)	(273)	(381)	(303)	(271)	(293)	(269)	(266)	(282)	(4,182)
Major Maintenance	(53)	(10)	(183)	(178)	(112)	(60)	(112)	(50)	(118)	(60)	(20)	(60)	(60)	(1,079)
Capital Expenditures	-	(96)	(89)	(502)	(205)	(296)	(110)	(607)	(155)	(33)	(36)	(42)	(113)	(2,285)
Professional Fees	(88)	(25)	(28)	(25)	(25)	(38)	(25)	(25)	(28)	(25)	(25)	(36)	(25)	(418)
Leases	-	(1)	-	-	(35)	(1)	-	-	(35)	-	(1)	-	(0)	(73)
Other	(806)	(629)	(282)	(231)	(555)	(1,802)	(512)	(27)	(27)	(27)	(282)	(27)	(27)	(5,236)
Management Fee	-	(725)	-	-	(429)	-	(725)	-	(456)	-	(725)	-	(581)	(3,640)
Total Operating Disbursements	(10,086)	(10,637)	(10,274)	(12,540)	(13,163)	(13,620)	(13,374)	(14,362)	(12,950)	(11,679)	(13,188)	(12,096)	(13,039)	(161,008)
Net Operating Cash Flow	(1,432)	(1,546)	2,003	(2,212)	(2,228)	(3,012)	31	(4,630)	(2,302)	319	2,608	(603)	(1,886)	(14,892)
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(45)	(1,154)	-	-	(80)	(1,275)	(8,605)	-	-	-	(1,605)	-	-	(12,764)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(207)	(207)	(297)	(207)	(207)	(207)	(207)	(297)	(207)	(207)	(207)	(207)	(207)	(2,871)
Total Non-Operating Cash Flow and Restructuring	(252)	(1,361)	(297)	(207)	(287)	(1,482)	(8,812)	(297)	(207)	(207)	(1,812)	(207)	(207)	(15,635)
Net Operating Receipts (Disbursements)	$ (1,684)	$ (2,907)	$ 1,706	$ (2,419)	$ (2,515)	$ (4,494)	$ (8,781)	$ (4,927)	$ (2,509)	$ 112	$ 796	$ (810)	$ (2,093)	$ (30,527)
BEG. BOOK CASH BALANCE	$ 110,493	$ 108,809	$ 105,901	$ 107,607	$ 105,188	$ 102,673	$ 98,179	$ 89,398	$ 84,471	$ 81,962	$ 82,073	$ 82,869	$ 82,059	$ 110,493
Net Receipts (Disbursements)	(1,684)	(2,907)	1,706	(2,419)	(2,515)	(4,494)	(8,781)	(4,927)	(2,509)	112	796	(810)	(2,093)	(30,527)
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	108,809	105,901	107,607	105,188	102,673	98,179	89,398	84,471	81,962	82,073	82,869	82,059	79,966	79,966
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 142,854	$ 139,946	$ 141,652	$ 139,233	$ 136,718	$ 132,224	$ 123,443	$ 118,516	$ 116,007	$ 116,118	$ 116,914	$ 116,104	$ 114,011	$ 114,011
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

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Key Assumptions:

1 - **Bankruptcy Filing:**
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast
- Restructuring professional fees for the week ended August 31, 2012 includes approximately $4.0 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

2 - **Includes the Following DIP Financing Assumptions:**
- Pre-petition ABL facility was replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) on March 1, 2010 with terms, as follows:
  - Interest at L+1,000 bps; 2% Libor floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid weekly, as due
  - DIP loans paid or repaid may be reborrowed (subject to the prior written consent of the Majority Lenders)
- Aggregate reserves approximate $18.0 million for the D&O charge and the administrative charge, a carve-out for professional fees and a Canadian Priority Reserve
- Liquidity reflected at any given week includes unused DIP commitment
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company

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

4 - **Stadacona mill start-up scheduled for August 2, 2012**
Full production at all other mills

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

6 - **Preliminary and subject to change**

Appendix D – Cash flow projections of WB Canada - 13 weeks ending October 12, 2012

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

Weeks Ending July 20 through Oct. 12, 2012

7/19/2012

Confidential

White Birch Paper Holding Company **CONFIDENTIAL**

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

Weeks Ended July 20 - October 12, 2012

	1	2	3	4	5	6	7	8	9	10	11	12	13	
	Wk Ended	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	13 Week
	7/20	7/27	8/3	8/10	8/17	8/24	8/31	9/7	9/14	9/21	9/28	10/5	10/12	Total
Operating Receipts														
Stadacona	343	226	261	312	545	525	1,385	1,787	2,722	2,661	2,927	3,575	4,256	21,525
F. F. Soucy	1,864	2,681	3,634	4,221	4,836	2,190	3,618	3,226	3,083	3,402	5,432	3,411	2,423	44,021
Papier Masson	3,108	4,061	3,864	3,451	3,330	4,053	4,253	2,364	2,494	2,190	3,236	2,237	2,274	40,912
Total Operating Receipts	5,315	6,967	7,759	7,985	8,711	6,768	9,256	7,377	8,298	8,253	11,595	9,223	8,952	106,458
Operating Disbursements														
Fiber	(1,623)	(1,481)	(1,797)	(2,227)	(2,247)	(2,247)	(2,653)	(2,578)	(2,644)	(2,644)	(2,644)	(2,640)	(2,743)	(30,167)
Chemicals	(166)	(92)	(178)	(231)	(221)	(241)	(241)	(241)	(242)	(241)	(241)	(241)	(241)	(2,818)
Electricity	(1,629)	(1,659)	(1,576)	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)	(28,163)
Recycle Material	-	-	(147)	(343)	(343)	(343)	(343)	(343)	(343)	(343)	(343)	(343)	(343)	(3,577)
Other Materials and Other Utilities	(962)	(1,225)	(1,295)	(1,676)	(1,479)	(1,456)	(1,366)	(1,521)	(1,388)	(1,281)	(1,274)	(1,369)	(1,322)	(17,613)
Property Taxes	-	-	-	-	(45)	-	-	(1,677)	-	-	-	-	-	(1,722)
Salaried and Hourly Payroll- Gross	(906)	(662)	(1,007)	(758)	(1,286)	(840)	(1,287)	(886)	(1,315)	(769)	(1,256)	(871)	(1,293)	(13,135)
Pension Plan and Group insurance	(271)	(206)	(186)	(204)	(69)	(268)	(417)	(104)	(69)	(151)	(564)	(314)	(69)	(2,890)
Freight	(1,283)	(1,094)	(964)	(994)	(1,242)	(1,272)	(1,242)	(1,272)	(1,242)	(1,422)	(1,242)	(1,222)	(1,442)	(15,935)
Maintenance Equipment	(225)	(214)	(190)	(157)	(232)	(167)	(275)	(209)	(172)	(183)	(175)	(172)	(183)	(2,556)
Major Maintenance	(20)	(10)	(20)	(10)	(20)	(10)	(20)	(10)	(26)	(10)	(20)	(10)	(20)	(209)
Capital Expenditures	-	-	-	(61)	(122)	(71)	(61)	(61)	(77)	-	(36)	-	(41)	(531)
Professional Fees	(88)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(388)
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Other	(806)	(629)	(282)	(231)	(555)	(1,802)	(512)	(27)	(27)	(27)	(282)	(27)	(27)	(5,236)
Management Fee	-	(450)	-	-	(286)	-	(450)	-	(314)	-	(450)	-	(439)	(2,388)
Total Operating Disbursements	(7,981)	(7,747)	(7,666)	(9,246)	(10,503)	(11,073)	(11,221)	(11,286)	(10,213)	(9,426)	(10,883)	(9,565)	(10,518)	(127,328)
Net Operating Cash Flow	(2,666)	(779)	93	(1,262)	(1,792)	(4,306)	(1,966)	(3,909)	(1,915)	(1,173)	713	(342)	(1,566)	(20,869)
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(40)	(644)	-	-	(75)	(920)	(6,455)	-	-	-	(950)	-	-	(9,084)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	(207)	(207)	(297)	(207)	(207)	(207)	(207)	(297)	(207)	(207)	(207)	(207)	(207)	(2,871)
Total Non-Operating Cash Flow and Restructuring	(247)	(851)	(297)	(207)	(282)	(1,127)	(6,662)	(297)	(207)	(207)	(1,157)	(207)	(207)	(11,955)
Net Operating Receipts (Disbursements)	$ (2,912)	$ (1,631)	$ (204)	$ (1,469)	$ (2,074)	$ (5,433)	$ (8,628)	$ (4,206)	$ (2,122)	$ (1,380)	$ (444)	$ (549)	$ (1,773)	$ (32,824)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 80,222	$ 77,309	$ 75,679	$ 75,475	$ 74,006	$ 71,932	$ 66,499	$ 57,872	$ 53,665	$ 51,543	$ 50,163	$ 49,719	$ 49,170	$ 80,222
Net Receipts (Disbursements)	(2,912)	(1,631)	(204)	(1,469)	(2,074)	(5,433)	(8,628)	(4,206)	(2,122)	(1,380)	(444)	(549)	(1,773)	(32,824)
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	77,309	75,679	75,475	74,006	71,932	66,499	57,872	53,665	51,543	50,163	49,719	49,170	47,397	47,397
Unused DIP Commitment	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045	34,045
LIQUIDITY	$ 111,354	$ 109,724	$ 109,520	$ 108,051	$ 105,977	$ 100,544	$ 91,917	$ 87,710	$ 85,588	$ 84,208	$ 83,764	$ 83,215	$ 81,442	$ 81,442
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955	$ 87,955

White Birch Paper Holding Company- CANADA ONLY
13 Weekly Cash Flow Forecast
Weeks Ended July 20 - October 12, 2012

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Key Hypothetical Assumptions:

1 Purpose:

- The attached statement of projected cash flow has been prepared by Management to present the anticipated cash inflows and outflows resulting from current operations in the period following the making of an initial order, providing for a stay of proceedings, in virtue of the *Companies' Creditors Arrangement Act*, namely the period from July 14 to October 12, 2012.

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

2 Basis of presentation:

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

3 Stakeholder support:

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

4 CCAA Filing Scenario:

- Petition Date was February 24, 2010
- Does not assume future accounts receivable contraction
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast.
- Restructuring professional fees for the week ended August 31, 2012 includes approximately $1.9 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee
- Prior service cost component of pension contributions in Canada of CAD $1.5 million beginning with the February payments are suspended until emergence - cash savings of approximately $1.5 million CAD per month
- CAD Utility Deposits - Three weeks of utility deposits (appx. $7.5 million CAD) to secure post-petition service were made subsequent to the CCAA filing.
- Letters of Credit and Cash Deposits - Current letters of credit outstanding on the filing date of $9.5 million were cash collateralized in the repayment of loan balances to the pre-petition ABL lender with a 5% premium.

Key Hypothetical Assumptions - Continued:

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

- Pre-petition ABL facility replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) with terms, as follows:
  - Interest at L+ 1000 bps with 2% floor
  - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
  - Interest on borrowings paid weekly as due
  - DIP loans paid or repaid may be reborrowed (subject to the prior written consent of the Majority Lenders)
- Aggregate reserves approximate $15.1 million for: the D&O Charge and the Administrative Charge, a carve-out for professional fees and a Canadian Priority Reserve.
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company.
- Liquidity reflected at any given week includes unused DIP commitment

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

7 **Stadacona mill start-up scheduled for August 2, 2012**
Full production at all other mills

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

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

Appendix E – Notice of resiliation of an agreement with the City of Québec

Papiers White Birch[MC]

STADACONA S.E.C.

PRÉAVIS DE RÉSILIATION DE CONTRAT PAR LA COMPAGNIE DÉBITRICE

À l'attention de Ernst & Young Inc. et la Ville de Québec :

Sachez que :

1. Une procédure visant Papiers White Birch, et certaines de ses filiales, incluant Stadacona, S.E.C. (« **Stadacona** ») a été intentée sous le régime de la *Loi sur les arrangements avec les créanciers des compagnies* (la « **Loi** ») le 24 février 2010.

2. En vertu du paragraphe 32(1) de la Loi, Stadacona donne préavis de son intention de résilier le contrat suivant :

   - « *Contrat de vente de vapeur* » entre La Ville de Québec et Stadacona, daté du 11 novembre 2007 et révisé le 7 décembre 2007.

3. En vertu du paragraphe 32(2) de la Loi, toute partie au contrat peut, sur préavis aux autres parties au contrat et au contrôleur, dans les quinze (15) jours suivant la date du présent avis, demander au tribunal d'ordonner que le contrat ne soit pas résilié.

4. En vertu de l'alinéa 32(5)a) de la Loi, si aucune demande n'est présentée en vertu du paragraphe 32(2) de la Loi, le contrat est résilié le 13 juillet 2012, soit trente (30) jours après la date du présent préavis.

Fait à Gatineau (Québec), le 13 juin 2012.

Stadacona, S.E.C.

Le contrôleur acquiesce au projet de résiliation.

Fait à Montréal (Québec), le 13 juin 2012.

ERNST & YOUNG INC.
Contrôleur nommé par le tribunal dans l'affaire du plan d'arrangement et de compromis proposé de White Birch Paper Holding Company et al.

Représentant du contrôleur responsable de la procédure

Papiers White Birch MC
STADACONA S.E.C.

ADDENDUM
MOTIFS DE RÉSILIATION

Comme vous le savez, une Ordonnance initiale (l'« **Ordonnance initiale** ») en vertu de la *Loi sur les arrangements avec les créanciers des compagnies* (la « **Loi** ») a été émise par la Cour supérieure du Québec, à l'égard de Papiers White Birch (« **White Birch** »), et de ses filiales, dont notamment Stadacona, S.E.C. (« **Stadacona** »). Cette Ordonnance initiale a, par la suite, été prorogée à plusieurs reprises, et expire présentement le 29 juin 2012;

Depuis l'émission de l'Ordonnance initiale, White Birch prend de nombreuses démarches afin de se restructurer, dans le but de poursuivre ses activités. White Birch a notamment mis en vente ses actifs, et a signé une convention de vente d'actifs avec BD White Birch Investment LLC;

Dans le but d'améliorer sa performance financière, White Birch a également analysé les principaux contrats avec ses fournisseurs et clients. Dans la mesure où un contrat a un effet négatif sur la viabilité de ses opérations, et/ou était devenu non-essentielle vu l'évolution de ses opérations, une décision a été prise de mettre fin auxdits contrats;

Suite à cette analyse, une décision a été prise de résilier la convention entre White Birch/Stadacona et la Ville de Québec.

Il s'agit du principal motif pour la résiliation.

White Birch Paper™
STADACONA L.P.

PRIOR NOTICE OF THE RESILIATION OF A CONTRACT BY THE DEBTOR COMPANY

To the attention of Ernst & Young Inc. and the City of Québec:

Take notice that:

1. Proceedings under the *Companies' Creditors Arrangement Act* (the "**Act**") in respect of White Birch Paper and certain of its affiliates, including Stadacona, S.E.C. ("**Stadacona**") were commenced on the 24th day of February, 2010.

2. In accordance with subsection 32(1) of the Act, Stadacona gives you notice of its intention to resiliate the following agreement:

   - « *Contrat de vente de vapeur* » between La Ville de Québec and Stadacona, dated November 11th, 2007 and revised on December 7th, 2007.

3. In accordance with subsection 32(2) of the Act, any party to the agreement may, within fifteen (15) days after the day on which this notice is given and with notice to the other parties to the agreement and to the monitor, apply to the court for an order that the agreement is not to be resiliated.

4. In accordance with paragraph 32(5)(a) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the agreement is resiliated on the 13th day of July, 2012, being thirty (30) days after the day on which this notice was given.

Dated at Gatineau (Québec), this 13th day of June, 2012.

Stadacona, S.E.C.

#10815368 v1

The monitor approves the proposed resiliation.

Dated at Montreal (Quebec), this 13th day of June, 2012.

ERNST & YOUNG INC.
Monitor named by the court in the matter of the proposed plan of arrangement and compromise of White Birch Paper Holding Company et al.

Representative of the monitor responsible for the proceedings

White Birch Paper™
STADACONA L.P.

ADDENDUM
REASONS FOR THE RESILIATION

As you are aware, an Initial Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**Act**") was issued by the Superior Court of Quebec with regard to White Birch Paper ("**White Birch**") and its affiliates, including notably Stadacona, S.E.C. ("**Stadacona**"). The said Initial Order was subsequently extended on multiple occasions and currently expires on June 29th, 2012;

Since the issuance of the Initial Order, White Birch has undertaken numerous steps in order to restructure its affairs, in order to continue doing business. White Birch has notably put all of its assets up for sale, and has signed an asset purchase agreement with BD White Birch Investment LLC;

In order to improve its financial performance, White Birch has also analyzed its principal contracts with its suppliers and its clients. Where a contract is deemed to have a negative effect on the viability of the company's operations, and/or has become non-essential in light of the evolution of its operations, a decision was made to terminate such contracts;

Pursuant to such analysis, it was decided that the contract between White Birch/Stadacona and La Ville de Québec must be terminated.

The above constitutes the principal reasons underlying such termination.