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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 – MARCH 27, 2012

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a Motion made by White Birch Paper Holding Company ("**White Birch**") and various of its affiliates (collectively referred to as the "**Applicants**"), the Superior Court of the Province of Québec for the District of Montréal ("**Court**"), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**")[1] issued an order ("**Initial Order**") declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. ("**EYI**" or "**Monitor**") as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest ("**Partnerships**") (the Applicants and the Partnerships are hereinafter referred to collectively as "**WB Canada**")[2]. The Initial Order has since been extended and is now scheduled to expire on March 30, 2012.

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

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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.

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 March 30, 2012, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until June 1, 2012.

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

   6.1. Introduction and background;

   6.2. Terms of reference and disclaimer;

   6.3. Current activities;

   6.4. Status of Proceedings; and

   6.5. Conclusions and recommendations.

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

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

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

TERMS OF REFERENCE AND DISCLAIMER

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

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

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

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

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

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

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

CURRENT ACTIVITIES

9. The Monitor prepared several reports to the Court addressing the activities of the WB Group. The matters discussed in the said reports are still relevant, and will not be repeated herein. The present report only addresses matters that have changed since our latest reports dated February 20 and March 15, 2012.

Cash flow results/Interim Financing

10. The most recent cash flow projections filed with the Court were prepared for the 15 weeks ending May 25, 2012. For ease of reference, these cash flow projections are attached hereto as Appendix A.

11. WB Group and its advisors prepared a comparison of the actual and projected results, for the 5 weeks ended March 16, 2012, annexed to this report as Appendix B. The Monitor reviewed this comparison with management, and as a result of this review, the Monitor has no reason to doubt the reasonableness of the explanations provided for the variances.

12. Essentially, the comparison of actual and projected results for the 5 weeks ended March 16, 2012 indicates that the projections contemplated a positive cash flow of US$13.8 million for the 5 week period, and the actual results yielded a positive cash flow of US$13.6 million, or an unfavourable variance of US$236,000. The variance is attributed primarily to the following:

12.1. Lower than projected collection of accounts receivable, by approximately US$1.6 million, or 2.5% of the projected amount.

The accounts receivable were projected to be US$59.4 million as at March 16, 2012, and they are reported to amount to US$68.0 million as at that date. If the variance were strictly related to a slower collection period, the variance would translate into higher accounts receivable by a like amount. The difference between the actual and projected accounts receivable, in view of the variance in the cash receipts, suggests that the revenues were higher than anticipated during the projection period, by approximately US$3.3 million, or approximately 6.7%. The higher than projected revenues are attributed primarily to the fact that the revenues for the period were set conservatively. In addition, a portion of the variance is attributable to the fact that the projections do not take into consideration the impact of the sales taxes (GST, HST, QST, etc.). To the extent that a supply to a customer is taxable, the taxes are added to the invoice, which increases revenues (without increasing income). The actual results take into consideration the taxes that have been billed, which causes a small discrepancy[7].

12.2. Lower than projected disbursements, by approximately US$1.4 million[8], or 2.8% of the projected amount. This variance is attributable primarily to a timing variance, as the Companies' purchases and payment patterns are slightly different from the projections.

The inventories were projected to be US$78.5 million as at March 16, 2012, and they are reported to amount to US$80.2 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$3.1 million.

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7 This discrepancy would translate into higher actual revenues and higher actual receipts as compared with the projections, all things being otherwise equal.

8 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 an unfavourable variance of US$1.3 million or 2.6% in receipts, and a favourable variance of US$1.1 million or 3.0% in disbursements, for a net favourable variance of US$147,000 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 5 weeks ended March 16, 2012 indicate an improvement in the cash balance, by US$13.6 million for WB Group (US$11.1 million for WB Canada). As a result, WB Group's cash on hand stands at approximately US$91.2 million, as at March 16, 2012. The increase in cash balance is attributed in part to an improvement in the performance and in part to the continuing drawdown in accounts receivable and inventory balances that result from the closure of the Stadacona plant. In effect, the reduction in accounts receivable and inventory levels represents a monetization of the working capital assets and their conversion into cash.

    Overall, the changes in cash, accounts receivable and inventory positions suggest that the Companies' position improved slightly during the 5 weeks period ended March 16, 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 June 15, 2012, and these cash flow projections are attached to this report as Appendix C[9]. The opening cash position on these cash flow projections represents the actual cash on hand as of March 16, 2012. The remainder of the amounts represents a projection, as the actual results for the week of March 23, 2012 have not yet been compiled.

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

STATUS OF PROCEEDINGS

17. 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 February 24, 2012 and grants an extension until March 30, 2012.

18. At the time of the hearing on the Companies' motion for an extension of the Initial Order, on February 24, 2012, the Court requested that the Monitor provide a more detailed report on the alternatives and timelines, in the event that the contemplated transaction whereby BD White Birch Investment LLC ("**BDWBI**") would acquire the assets and undertakings of the Companies, cannot be completed.

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[9] Management has also provided us with an updated cash flow projection for WB Canada, for the 13 week period ending June 15, 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.

19. The Monitor's report addressing this request is dated March 15, 2012. This report includes, *inter alia*, a description of the current status of the sale process as of March 15, 2012, as it was explained and is understood by the Monitor.

20. By way of an update, the Monitor has been informed that the collective bargaining agent, the Communication, Energy and Paperworkers' Union ("**SCEP**"), has scheduled meetings of its members to vote on the most recent offers made by the Companies regarding the modification of the collective bargaining agreement. The votes are scheduled to be held as follows:

    20.1. Saturday March 24, 2012 for the local unions representing the Stadacona plant;

    20.2. Monday March 26, 2012 for the local unions representing the Soucy plant; and

    20.3. Tuesday March 27, 2012 for the local unions representing the Papier Masson plant.

21. Although the Monitor has not been informed of the official result of the vote regarding the Stadacona and Soucy plants, the Monitor understands that the Companies' offer was accepted by the employees of each of the plants.

22. As of the date of drafting this report, the results for the Papier Masson plant were not known. In view of the short time frame between the scheduled meetings and the date of the hearing on the request for an extension of the Initial Order, the Monitor will report verbally to the Court on the information communicated to the Monitor regarding the result of the vote.

23. Given the positive votes to date and in the event that the Papier Masson union members also vote to approve the proposed modification of the collective bargaining agreement, the Companies now need to finalize discussions with the Québec provincial government and with the City of Québec to achieve the cost savings necessary to make the Stadacona plant viable.

24. As well, the Monitor understands that a technical problem raised by the Régie des Rentes du Québec regarding the terms of the proposed settlement with regards to the existing pension plans still needs to be resolved.

CONCLUSIONS AND RECOMMENDATIONS

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

26. The Monitor has been informed in the past that agreements in principle were reached with respect to the Papier Masson plants, and as such the Monitor is hopeful that the votes of the members, scheduled to be taken after this report was drafted, will confirm that an agreement was reached.

27. In that context, the Monitor believes it is reasonable and appropriate to grant the extension requested in order to continue working towards a closing of the transaction, as soon as possible.

28. In the event that the employees do not ratify the agreement in principle, an additional delay would still be required to put in motion the alternative sale process referred to in the Monitor's report dated March 15, 2012, which would likely lead to the liquidation of the assets.

29. In the present circumstances and based on the projections submitted by the Companies, the Monitor believes that a further extension of the stay of proceedings until June 1, 2012, as requested by WB Group, would not be prejudicial to the creditors of WB Group.

30. Provided the delay is used productively and based on information provided by WB Group and BDWBI, the Monitor is of the view that the transaction could close within the next 60 days.

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

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

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

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

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

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

Appendix A – Cash flow projections of WB Group - 15 weeks ending May 25, 2012

White Birch Paper

15-Week Cash Flow Forecast

Weeks Ending Feb. 17 through May 25, 2012

17/02/2012

Confidential

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

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

Weeks Ended February 17 - May 25, 2012

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	Wk Ended	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	15 Week
	2/17	2/24	3/2	3/9	3/16	3/23	3/30	4/6	4/13	4/20	4/27	5/4	5/11	5/18	5/25	Total
Operating Receipts																
Bear Island	$ 2,467	$ 4,106	$ 3,985	$ 2,635	$ 2,246	$ 3,550	$ 3,250	$ 3,160	$ 2,350	$ 3,750	$ 3,150	$ 3,050	$ 2,460	$ 3,600	$ 3,260	$ 47,018
Stadacona	2,171	1,393	1,493	1,285	1,708	984	872	577	998	583	259	21	38	174	38	12,594
F. F. Soucy	2,369	6,730	5,085	5,182	3,343	3,213	3,209	4,403	2,430	2,393	3,804	5,621	2,520	2,803	3,398	56,502
Papier Masson	3,893	2,958	4,135	2,931	3,602	3,747	4,002	2,519	3,027	2,541	2,574	3,683	2,549	3,144	2,734	48,040
Total Operating Receipts	10,900	15,187	14,698	12,033	10,898	11,494	11,332	10,659	8,805	9,267	9,786	12,375	7,567	9,721	9,430	164,154
Operating Disbursements																
Fiber	(1,710)	(1,752)	(1,722)	(2,118)	(2,312)	(2,323)	(2,352)	(2,374)	(2,394)	(1,858)	(1,858)	(2,030)	(2,030)	(2,091)	(2,105)	(31,032)
Chemicals	(528)	(288)	(260)	(393)	(505)	(324)	(245)	(336)	(495)	(339)	(260)	(268)	(260)	(337)	(263)	(5,102)
Electricity	(2,168)	(2,925)	(1,820)	(2,274)	(2,206)	(2,206)	(3,043)	(2,255)	(2,169)	(2,169)	(2,275)	(2,890)	(2,273)	(2,187)	(2,298)	(35,153)
Recycle Material	(198)	(197)	(278)	(179)	(255)	(255)	(315)	(255)	(255)	(255)	(255)	(330)	(255)	(255)	(285)	(3,822)
Other Materials and Other Utilities	(1,133)	(1,179)	(1,161)	(1,115)	(886)	(1,073)	(1,043)	(998)	(1,057)	(1,054)	(938)	(1,190)	(1,138)	(1,048)	(1,021)	(16,036)
Property Taxes	(5)	(0)	-	-	(5)	-	-	-	(5)	-	-	-	-	-	-	(15)
Salaried and Hourly Payroll- Gross	(1,203)	(851)	(1,214)	(1,044)	(1,212)	(874)	(1,214)	(909)	(1,369)	(902)	(1,222)	(874)	(1,214)	(888)	(1,218)	(16,207)
Pension Plan and Group insurance	(289)	(461)	(360)	(78)	(143)	(206)	(513)	(180)	(143)	(206)	(258)	(435)	(3)	(206)	(359)	(3,841)
Freight	(1,437)	(1,176)	(1,127)	(1,049)	(1,106)	(998)	(998)	(998)	(1,006)	(998)	(998)	(1,248)	(1,156)	(998)	(998)	(16,288)
Maintenance Equipment	(347)	(327)	(399)	(321)	(433)	(251)	(342)	(275)	(292)	(265)	(265)	(287)	(333)	(258)	(304)	(4,698)
Major Maintenance	(32)	(65)	(158)	(60)	(51)	(70)	(156)	(32)	(78)	(73)	(26)	(10)	(60)	(72)	(91)	(1,037)
Capital Expenditures	-	-	(32)	-	-	-	(170)	-	(160)	-	(170)	-	(160)	-	(170)	(862)
Professional Fees	(25)	(25)	(25)	(26)	(25)	(28)	(25)	(25)	(30)	(25)	(25)	(26)	(25)	(26)	(25)	(386)
Leases	(29)	(4)	-	(1)	(33)	(4)	(1)	(1)	(33)	(4)	-	(1)	(0)	(4)	(0)	(115)
Other	(77)	(77)	(77)	(77)	(77)	(307)	(52)	(52)	(52)	(52)	(307)	(427)	(427)	(52)	(307)	(2,423)
Management Fee	(429)	-	(950)	-	(429)	-	(900)	-	-	(429)	-	(900)	-	(629)	-	(4,664)
Total Operating Disbursements	(9,610)	(9,328)	(9,583)	(8,736)	(9,678)	(8,919)	(11,369)	(8,691)	(9,537)	(8,629)	(8,857)	(10,916)	(9,334)	(9,051)	(9,444)	(141,681)
Net Operating Cash Flow	1,291	5,859	5,116	3,297	1,221	2,575	(37)	1,968	(732)	638	929	1,459	(1,767)	671	(14)	22,473
Non Operating Cash Flow and Restructuring																
Restructuring Professional Fees	(379)	(580)	(104)	(500)	(325)	(350)	(200)	(890)	-	(350)	(350)	-	(8,755)	-	-	(12,784)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(205)	(205)	(205)	(205)	(205)	(205)	(295)	(205)	(205)	(205)	(299)	(205)	(205)	(205)	(205)	(3,262)
Total Non-Operating Cash Flow and Restructuring	(584)	(786)	(309)	(705)	(530)	(555)	(495)	(1,095)	(205)	(555)	(649)	(205)	(8,960)	(205)	(205)	(16,046)
Net Operating Receipts (Disbursements)	$ 706	$ 5,073	$ 4,806	$ 2,591	$ 691	$ 2,020	$ (532)	$ 873	$ (938)	$ 83	$ 280	$ 1,254	$ (10,727)	$ 466	$ (219)	$ 6,427
BEG. BOOK CASH BALANCE	$ 77,596	$ 78,302	$ 83,376	$ 88,182	$ 90,773	$ 91,464	$ 93,484	$ 92,952	$ 93,825	$ 92,887	$ 92,970	$ 93,250	$ 94,504	$ 83,776	$ 84,242	$ 77,596
Net Receipts (Disbursements)	706	5,073	4,806	2,591	691	2,020	(532)	873	(938)	83	280	1,254	(10,727)	466	(219)	6,427
DIP Term Loan (Repayment) / Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	78,302	83,376	88,182	90,773	91,464	93,484	92,952	93,825	92,887	92,970	93,250	94,504	83,776	84,242	84,023	84,023
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	34,045	34,045
LIQUIDITY	$ 112,347	$ 117,421	$ 122,227	$ 124,818	$ 125,509	$ 127,529	$ 126,997	$ 127,870	$ 126,932	$ 127,015	$ 127,295	$ 128,549	$ 117,821	$ 118,287	$ 118,068	$ 118,068
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	$ 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	$ 87,955	$ 87,955

White Birch Paper
15 Week Cash Flow Forecast
Weeks Ended February 17 - May 25, 2012

CONFIDENTIAL

Key Assumptions:

1 - **Bankruptcy Filing:**
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast
- Restructuring professional fees for the week ended May 11, 2012 includes approximately $4.2 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

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

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

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

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

6 - **Preliminary and subject to change**

Appendix B – Comparison of actual and projected results for the 5 weeks ended March 16, 2012

White Birch Paper

Cash Flow Forecast - Variance Report
Actual Compared With 15-Week CFF (Dated Feb. 17, 2012)

For the Weeks Ended March 16, 2012

22/03/2012

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White Birch Paper (Consolidated)
Cash Flow Forecast Variance Report to 15-Week CFF (Dated 2/17/12)
Weeks Ended March 16, 2012
In $000's

	Cumulative 5-Week Variance to 15-Week CFF		
	Actual 2/11 Through 3/16	Forecast 2/11 Through 3/16	B (W) than Forecast 3/16
Operating Receipts			
Bear Island	$ 15,084	$ 15,438	$ (354)
Stadacona	7,677	8,050	(373)
F.F. Soucy	22,695	22,709	(15)
Papier Masson	16,645	17,520	(875)
Total Operating Receipts	62,101	63,717	(1,616)
Operating Disbursements			
Fiber	(9,272)	(9,614)	342
Chemicals	(1,834)	(1,975)	140
Electricity	(10,883)	(11,391)	508
Recycle Material	(1,105)	(1,107)	2
Other Materials and Other Utilities	(5,684)	(5,475)	(209)
Property Taxes	(17)	(10)	(7)
Salaried and Hourly Payroll - Gross	(5,664)	(5,524)	(141)
Pension Plan and Group Insurance	(1,362)	(1,332)	(30)
Freight	(6,470)	(5,895)	(576)
Maintenance Equipment	(1,453)	(1,826)	373
Major Maintenance	(119)	(368)	248
Capital Expenditures	-	(32)	32
Professional Fees	(56)	(126)	70
Leases	(70)	(67)	(3)
Other	(358)	(386)	28
Management Fee	(1,866)	(1,807)	(59)
Total Operating Disbursements	(46,215)	(46,934)	719
Net Operating Cash Flow	15,886	16,783	(897)
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,133)	(1,889)	756
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(0)	-	(0)
Interest Payments	(1,121)	(1,026)	(95)
Total Non-Operating Cash Flow and Restructuring	(2,254)	(2,915)	661
Net Operating Receipts (Disbursements)	$ 13,632	$ 13,868	$ (236)
BEG. BOOK CASH BALANCE	$ 77,596	$ 77,596	$ -
Net Receipts (Disbursements)	13,632	13,868	(236)
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	91,228	91,464	(236)
Unused DIP Commitment	34,045	34,045	-
LIQUIDITY	$ 125,273	$ 125,509	$ (236)
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 15-Week CFF (Dated 2/17/12)

Weeks Ended March 16, 2012

In $000's

	Cumulative 5-Week Variance to 15-Week CFF		
	Actual 2/11 to 3/16	**Forecast 2/11 to 3/16**	**B (W) than Forecast 3/16**
Operating Receipts			
Stadacona	7,677	8,050	(373)
F.F. Soucy	22,695	22,709	(15)
Papier Masson	16,645	17,520	(875)
Total Operating Receipts	47,017	48,279	(1,262)
Operating Disbursements			
Fiber	(8,230)	(8,274)	44
Chemicals	(606)	(511)	(96)
Electricity	(8,250)	(8,768)	518
Recycle Material	-	-	-
Other Materials and Other Utilities	(3,886)	(3,944)	58
Property Taxes	(7)	(0)	(7)
Salaried and Hourly Payroll - Gross	(3,958)	(3,822)	(137)
Pension Plan and Group Insurance	(1,362)	(1,332)	(30)
Freight	(5,071)	(4,887)	(185)
Maintenance Equipment	(886)	(1,267)	381
Major Maintenance	(9)	(82)	72
Capital Expenditures	-	-	-
Professional Fees	(54)	(125)	71
Leases	-	(5)	5
Other	(358)	(386)	28
Management Fee	(1,329)	(1,247)	(81)
Total Operating Disbursements	(34,007)	(34,650)	641
Net Operating Cash Flow	13,010	13,629	(621)
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,008)	(1,392)	384
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	183	-	183
Interest Payments	(1,121)	(1,026)	(95)
Total Non-Operating Cash Flow and Restructuring	(1,946)	(2,418)	472
Net Operating Receipts (Disbursements)	$ 11,064	$ 11,211	$ (147)
BEG. BOOK CASH BALANCE	$ 58,248	$ 58,248	$ -
Net Receipts (Disbursements)	11,064	11,211	(147)
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	69,312	69,459	(147)
Unused DIP Commitment	34,045	34,045	-
LIQUIDITY	$ 103,357	$ 103,504	$ (147)
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 June 15, 2012

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending Mar. 23 through June 15, 2012

22/03/2012

Confidential

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

Rolling Weekly Forecast

In $000's

Weeks Ended March 23 - June 15, 2012

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

Key Assumptions:

1 - Bankruptcy Filing:
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast
- Restructuring professional fees for the week ended May 11, 2012 includes approximately $4.2 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

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

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

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

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

6 - Preliminary and subject to change

Appendix D – Cash flow projections of WB Canada - 13 weeks ending June 15, 2012

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

Weeks Ending Mar. 23 through June 15, 2012

22/03/2012

Confidential

White Birch Paper Holding Company

CONFIDENTIAL

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

Weeks Ended March 23 - June 15, 2012

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

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

CONFIDENTIAL

Key Hypothetical Assumptions:

1 **Purpose:**

- The attached statement of projected cash flow has been prepared by Management to present the anticipated cash inflows and outflows resulting from current operations in the period following the making of an initial order, providing for a stay of proceedings, in virtue of the *Companies' Creditors Arrangement Act* , namely the period from March 17 to June 15, 2012.

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

2 **Basis of presentation:**

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

3 **Stakeholder support:**

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

4 **CCAA Filing Scenario:**

- Petition Date was February 24, 2010
- Does not assume future accounts receivable contraction
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast.
- Restructuring professional fees for the week ended May 11, 2012 includes approximately $2.0 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee
- Prior service cost component of pension contributions in Canada of CAD $1.5 million beginning with the February payments are suspended until emergence - cash savings of approximately $1.5 million CAD per month
- CAD Utility Deposits - Three weeks of utility deposits (appx. $7.5 million CAD) to secure post-petition service were made subsequent to the CCAA filing.
- Letters of Credit and Cash Deposits - Current letters of credit outstanding on the filing date of $9.5 million were cash collateralized in the repayment of loan balances to the pre-petition ABL lender with a 5% premium.

Key Hypothetical Assumptions - Continued:

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

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

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

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

8

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

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