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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11038474-108

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

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

DEBTORS

- and -

ERNST & YOUNG INC.

MONITOR

REPORT OF THE MONITOR – MAY 9, 2011

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a Motion made by White Birch Paper Holding Company ("**White Birch**") and various of its affiliates (collectively referred to as the "**Applicants**"), the Superior Court of the Province of Québec for the District of Montréal ("**Court**"), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**")[1] issued an order ("**Initial Order**") declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. ("**EYI**" or "**Monitor**") as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest ("**Partnerships**") (the Applicants and the Partnerships are hereinafter referred to collectively as "**WB Canada**")[2]. The Initial Order has since been extended and is now scheduled to expire on May 13, 2011.

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

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

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

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

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

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

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

5. The Initial Order as previously extended is scheduled to expire on May 13, 2011, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until August 12, 2011.

6. The present report is intended to provide the Court with information relevant to the motion for an extension of the Initial Order, and more particularly on the current activities of WB Group and the progress of its restructuring efforts. As well, the present report comments the results for the first quarter of fiscal 2011, following the recent finalization by the Companies of their financial statements for the 3 months ended March 31, 2011. This report is presented under the following headings:

    6.1. Introduction and background;

    6.2. Terms of reference and disclaimer;

    6.3. Internal Financial Statements for the 3 months ended March 31, 2011;

    6.4. Status of Proceedings;

    6.5. Current activities; and

    6.6. Conclusions and recommendations.

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

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

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

TERMS OF REFERENCE AND DISCLAIMER

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

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

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

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

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

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

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

INTERNAL FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED MARCH 31, 2011

9. The Companies' fiscal year ends on December 31. The internally prepared financial statements for the first quarter ended March 31, 2011 are attached to this report as Appendix A. While the financial statements are not complete as they do not include all of the disclosure that is required to conform with generally accepted accounting principles, we have been informed that Management considers that the essential financial information presented in the financial statements will not change.

10. The financial statements indicate the following:

10.1. The Companies report a net loss before taxes of US$1.5 million for the 3 months ended March 31, 2011, after taking into consideration a gain on foreign currency translation of US$12.5 million. Although a net loss was incurred, the results from operations in the first quarter represent a significant improvement over the reported results for the same period last year, in which the reported loss was US$23.7 million after taking into consideration a gain on foreign currency translation of US$12.9 million.

The improvement is attributed to an increase in production volume which makes the operation more efficient, and increases in newsprint prices.

10.2. The Companies report a negative cash flow from operations of approximately US$3.3 million for the 3 month period, including the cash provided by or invested in working capital accounts.

The negative cash flow from operations is attributed primarily to additional funds invested to increase inventories, in view of the higher level of activity.

10.3. The assets are reported to have a carrying value of US$789.0 million, comprised primarily of current assets (cash, accounts receivable, inventories and other current assets) of US$287.9 million, fixed assets of US$474.1 million and investments in affiliated entities (SP Newsprint) of US$25.7 million. The liabilities are reported to total US$1,017.6 million, including US$165.3 million in pension and other post retirement benefit obligations, leaving an equity deficit of US$228.6 million.

Based on our understanding of the security granted by the Companies to their lenders, the interim financing lender has a Court ordered prior ranking charge and security as per the terms of the Initial Order creating the Interim Financing Charge (ranking after only the Administration Charge and the D&O Charge) over all assets and undertakings of the Companies, in support of its debt of approximately US$121.0 million at March 31, 2011. The conventional first ranking term lenders, swap counterparties and conventional second ranking term lenders have security over all assets and undertakings of the Companies, except for the cash, accounts receivable and inventories, which have a carrying value of approximately US$261.5 million[7].

We point out that while the Companies report that the assets have a carrying value of US$789.0 million, the results obtained from the auction held in connection with the Sales and Investor Solicitation Process ("**SISP**") undertaken by the Companies suggest that the assets have a realizable value far lower than their current reported carrying value. Based on the transaction that is presently contemplated with BD White Birch

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

Investments LLC ("**BDWBI**"), the assets' value would be in the US$200 million to US$250 million range[8]. The transaction with BDWBI is outlined in the Monitor's reports dated August 10 and September 23, 2010.

10.4. The Companies report that the current accounts payable and accrued liabilities at March 31, 2011 total US$94.5 million, compared with a level of US$87.9 million in December 2010.

10.5. The Companies report that their working capital (current assets less current liabilities) decreased by US$1.8 million between December 2010 and March 2011. Although the change suggests there has been a deterioration in the financial position, we consider that this change is not significant.

STATUS OF PROCEEDINGS

11. The Initial Order was made on February 24, 2010 and was extended on several occasions since that date. The most recent order of the Court extending the Initial Order was made on December 9, 2010, and grants an extension until May 13, 2011.

12. As mentioned in the most recent reports of the Monitor[9], the Companies' restructuring activities, at this stage, continue to be focused on the sale process, as the Companies are preparing for the closing of the transaction that was approved by the Court by order made on September 28, 2010[10], which transaction contemplates the sale of substantially all of the Companies' assets and undertakings to BD White Birch Investments Inc. and certain of its subsidiaries ("**BDWBI**").

13. The conditions to closing have not yet been fulfilled. We understand from our discussions with Management and counsel for BDWBI that the current status of the transaction is as follows:

13.1. Subsequently to the Monitor's report dated February 18, 2011, the Monitor was informed that the Commissioner appointed under the *Competition Act*[11] issued a "no action" letter regarding the contemplated sale and purchase transaction between the Companies and BDWBI, meaning that the parties may proceed with the transaction. This fulfills a portion of the remaining closing conditions regarding regulatory approvals.

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

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

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

[11] *Competition Act*, R.S.C. 1985, c. C-34, as amended.

13.2. The Companies and BDWBI are still awaiting an authorization from Industry Canada pursuant to its review of the proposed transaction under the *Investment Canada Act*[12]. We understand from our discussions with counsel of BDWBI that Industry Canada is seeking some confirmations from BDWBI regarding its intentions with respect to the future activities of the Companies, and that these can only be provided by BDWBI after a satisfactory agreement is concluded with the workforce regarding the terms of the collective bargaining agreement ("**CBA**").

13.3. An agreement has not yet been reached with the collective bargaining agent regarding the execution of a new CBA. We are informed by counsel for BDWBI that this issue remains the most significant pending issue preventing the occurrence of a closing.

The main hurdle in the negotiation appears to be the discussion surrounding the pension benefits on a going forward basis. The status of the discussions with Communication, Energy and Paperworkers Union ("**CEP**"), the collective bargaining agent, is addressed in greater detail hereunder.

13.4. There are other pre-conditions to a closing that have not yet occurred (no breach of representations and warranties, no breach of covenants, closing deliveries, etc.), although we are advised the BDWBI and Management do not anticipate these will be problematic.

14. As outlined above, the negotiation and finalization of a new CBA appears to be the single most important issue delaying the closing of the transaction with BDWBI. In view of the length of time elapsed since the approval of the proposed transaction by the Court, and in view of the recent increase in media coverage regarding the negotiation of the CBA, the Monitor has spoken with Management, with counsel for the Companies, with counsel for BDWBI and has communicated with representatives of CEP over the past few weeks, to better understand the status of the transaction, and in particular the likely timeframe required to close.

15. It is important to note that the Monitor is not party to these discussions and negotiations between the Companies, BDWDI and the CEP.

16. The Monitor has been advised that negotiations have progressed significantly among the CEP locals, BDWBI and White Birch, with tentative agreements or a receptive attitude on "local issues", subject to agreements being reached on "national issues", such as wages and pensions.

17. The Monitor understands that the pension plans are a very sensitive and significant issue. The Companies estimate the pension and other post retirement benefit plans are currently in a significant deficit position, with an aggregate deficit estimated to be in the US$150 million to US$175 million range. The issue of the unfunded pension liability on a solvency basis is necessarily a serious concern to the workforce and to the retirees, as an outright termination of the pension plans would likely translate in a sharp decrease in pension benefits for all plan beneficiaries. Based on the information presently available, the Companies estimate that the funded status of the pension plans is approximately 60% to 70%, and that as a result a liquidation of the pension plan could result in a curtailment of pension benefits by 30% to 40%, assuming there is no erosion or improvement in the value of the plan assets.

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

Conversely, an on-going legacy liability in the $150 million to US$175 million range is necessarily a serious concern to the prospective purchaser, as it may impede the ability of the new entity that will emerge from the restructuring from borrowing funds and attracting investment, and may even threaten its viability.

18. The Monitor further understands that the parties have all spent significant time and effort in attempting to better understand the circumstances surrounding White Birch's business operations and its pension plans. The issues are complex and need to be analyzed carefully and discussed thoroughly in order to ensure that a solution can be reached which is acceptable to the parties.

19. The Monitor has been informed by both the labour and employer parties that the negotiations are ongoing. While there is not a specific time frame within which negotiations are expected to continue, the Monitor believes significant progress can be achieved quickly when the parties get back to the bargaining table and discuss each others' concerns regarding the legacy liability for pension costs and other post retirement benefits, with a view to develop a creative solution to the problem that arises because of the valid concerns of both parties.

20. While the Monitor believes significant progress can be achieved quickly, the Monitor recognizes that it is likely that some time will be required in order to conclude those negotiations, present a proposal to the various union locals and have it voted upon, and thereafter obtain the necessary approvals from Investment Canada and proceed to the closing. BDWBI has made it clear to the Monitor that it is committed to trying to conclude the transaction as soon as reasonably possible.

21. As stated previously, the Companies' restructuring activities, at this stage, continue to be focused on the sale process and the closing of the transaction with BDWBI. Pending the closing of said transaction and the determination of the actual purchase price, WB Canada will consider how best to distribute the proceeds of sale and the possible filing of a plan of arrangement.

CURRENT ACTIVITIES

22. 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 February 18, 2011.

Cash flow results/Interim Financing

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

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

25. WB Group and its advisors prepared a comparison of the actual and projected results, for the 11 weeks ended April 29, 2011, annexed to this report as Appendix C. The Monitor reviewed

this comparison with management, and as a result of this review, the Monitor has no reason to doubt the reasonableness of the explanations provided for the variances.

26. Essentially, the comparison of actual and projected results for the 11 weeks ended April 29, 2011 indicates that while the projections contemplated a negative cash flow of US$9.4 million for the 11 week period, the actual results yielded a negative cash flow of US$6.3 million, or a favourable variance of US$3.1 million. As a result, WB Group's cash on hand stands at approximately US$66.3 million, as at April 29, 2011. The variance is attributed primarily to the following:

26.1. Lower than projected collection of accounts receivable, by approximately US$1.2 million, attributed to a timing difference in collections.

The accounts receivable were projected to be US$84.8 million as at April 29, 2011, and they are reported to amount to US$94.2 million as at that date. If the variance were strictly related to slower cash receipts, 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 unfavourable variance in the cash receipts, suggests that the revenues were slightly higher than anticipated during the projection period, by approximately US$8.2 million.

26.2. Lower than projected disbursements, by approximately US$4.3 million[13]. This variance is attributable in part to a timing variance, as the Companies' purchases and payment patterns are slightly different from the projections.

The inventories were projected to be US$83.6 million as at April 29, 2011, and they are reported to amount to US$87.9 million as at that date. Management indicated the Companies are building up inventories due to the timing of shipments, and to ensure an uninterrupted supply of fibre.

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$8.7 million. It should be noted however that the projections for the 13 weeks ending May 13, 2011 included a provision of US$7.7 million in early April 2011, in connection with professional fees that will be due and payable contemporaneously with the closing of a sale transaction with BDWBI. Since the closing of the transaction has not yet occurred, the payment of these transaction related fees has been delayed. This explains the major part of the decrease in costs as compared with the projections, and as a result it appears that the Companies' costs were substantially in line with the projections.

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

27. The comparison of actual and projected results (Appendix C) also presents data compiled to isolate the results of WB Canada. The results for WB Canada indicate a favourable variance of US$0.4 million in receipts, and an unfavourable variance of US$1.8 million in disbursements, for a net unfavourable variance of US$1.4 million in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 26.

28. Overall, the decrease in cash balances, offset in part by an increase in accounts receivable and inventories, suggests that the Companies' position improved slightly (by US$6.6 million) during the period. However, the Monitor considers that this change is not significant in the circumstances and could be artificial if it is the result of a timing difference in the payment of accounts payable.

Updated projections

29. Management provided us with an updated cash flow projection for WB Group, for the 15 weeks ending August 12, 2011, and these cash flow projections are attached to this report as Appendix C[14]. The opening cash position on these cash flow projections represents the actual cash on hand as of April 29, 2011. The remainder of the amounts represents a projection, as the actual results for the week of May 6, 2011 have not yet been compiled.

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

CONCLUSIONS AND RECOMMENDATIONS

31. The Initial Order as previously extended is scheduled to expire on May 13, 2011, and the Applicants have indicated their intention to seek a further extension of the Initial Order, until August 12, 2011.

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

33. 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 August 12, 2011, to allow WB Group to complete the sale process, would not be prejudicial to the creditors of WB Group.

34. 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.

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

35. Based on the foregoing, the Monitor recommends that the Court grant an extension of the stay of proceedings as requested by WB Group, namely up to and including August 12, 2011.

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

All of which is respectfully submitted this 9th day of May 2011.

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

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

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

Appendix A – Internal financial statements for the 3months ended March 31, 2011

WHITE BIRCH PAPER COMPANY
CONSOLIDATED
FINANCIAL STATEMENTS

AS OF MARCH 31, 2011

(IN UNITED STATES DOLLARS)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

BALANCE SHEET
(IN U.S.$)
MARCH 31, 2011

ASSETS

CURRENT ASSETS :		
Cash		$ 71,809,685
Cash Collateral		7,113,632
Accounts Receivable - Trade		85,482,846
Accounts Receivable - Miscellaneous		11,644,723
Inventory:		
Raw Materials & Stores	$ 57,125,519	
Finished	35,465,788	92,591,307
Prepaid Expenses		18,281,112
Timberdeeds		21,951
R&D Credit Receivable		308,700
Due from Affiliates		654,913
Total Current Assets		287,908,869
PROPERTY, PLANT AND EQUIPMENT AT COST	$ 1,225,660,250	
Less - Accumulated Depreciation	(751,527,948)	474,132,302
OTHER LONG TERM ASSETS		644,013
LONG TERM INVESTMENT		578,813
INVESTMENT IN SP NEWSPRINT		25,750,751
DEFERRED FINANCING COSTS		0
Total Assets		$ 789,014,748

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities		$ 38,276,805
Pre-Petition Account Payable		56,214,299
Current Portion Long-Term Debt		660,937
Accrued Service Charges		708,045
Income Taxes Payable		25,709,159
Derivative Contracts		51,807,858
DIP Loan		120,955,000
Accrued Interest		29,647,511
Total Current Liabilities		323,979,614
NON-CURRENT PENSION AND POSTRETIREMENT		92,145,027
DEFERRED PENSION COSTS		73,190,675
LONG-TERM DEBT:		
First Lien Term Loan	$ 428,293,961	
Second Lien Term Loan	100,000,000	
Capitalized Leases	0	528,293,961
Total Liabilities		1,017,609,277
STOCKHOLDERS' EQUITY		
Contributed Capital		129,642,930
Retained Earnings		(300,917,745)
Accumulated Other Comprehensive Loss		(58,671,218)
Translation Adjustment		1,351,504
Total Stockholders' Equity		(228,594,529)
Total Liabilities and Stockholders' Equity		$ 789,014,748

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF INCOME
(IN U.S.$)
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	2011	2010
	YEAR TO DATE	YEAR TO DATE
SALES		
Gross	$ 192,882,801	$ 159,991,733
Freight	(23,021,651)	(18,205,842)
Net Sales	169,861,150	141,785,891
COST OF GOODS SOLD	(169,843,683)	(158,449,755)
Gross Profit	17,467	(16,663,864)
GENERAL AND ADMINISTRATIVE EXPENSE		
Service Fee	(5,786,485)	(4,799,886)
Other	(3,051,600)	(5,291,242)
Operating Profit (Loss)	(8,820,618)	(26,754,992)
OTHER INCOME (EXPENSE)		
Interest Expense	(5,179,533)	(9,735,138)
Gain (Loss) on Currency Translation	12,517,789	12,928,204
Deferred Financing	0	0
Interest Income	39,190	11,529
Other Income (Expense)	(74,115)	(131,548)
Net Income (Loss) from Operations	(1,517,287)	(23,681,945)
TAX PROVISION	57,626	1,184,787
Net Income (Loss)	(1,459,661)	(22,497,158)
RETAINED EARNING BEGINNING OF PERIOD	(299,458,084)	(243,640,801)
PRIOR PERIOD ADJUSTMENT	- 0 -	- 0 -
DISTRIBUTION DURING THE PERIOD	- 0 -	- 0 -
RETAINED EARNING END OF PERIOD	$ (300,917,745)	$ (266,137,959)

CONSOLIDATED WHITE BIRCH PAPER COMPANY

STATEMENT OF CASH FLOWS
(IN U.S.$)
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

		2011	2010
CASH PROVIDED BY (USED FOR):			
OPERATIONS			
Net Income (Loss)		$ (1,459,661)	$ (22,497,158)
Translation Adjustment		(5,378,192)	(5,097,252)
Accumulated Other Comprehensive Loss		0	0
Items not affecting cash			
Effect of exchange rate fluctuations on cash		(10,086,819)	(12,592,395)
Depreciation		14,300,421	14,559,318
Gain on sale of Property, Plant and Equipment		0	0
Amortization of Deferred Costs		1,361,802	1,326,701
Derivative Contracts		0	0
Deferred Income Taxes		0	0
Deferred Pension Costs		(925,236)	1,012,245
Non-current Pension and Postretirement		2,292,432	2,605,851
Other Long Term Assets		(18,395)	(45,199)
ITC & R&D Credit Receivable		0	0
Goodwill		0	0
Property, Plant and Equipment (ITC & Capital Tax)		0	0
Long Term Investment		(14,400)	(16,369)
Provided from operations		71,952	(20,744,258)
WORKING CAPITAL			
Accounts Receivable Trade	$ 5,551,865		
Accounts Receivable Miscellaneous	2,053,588		
Inventory	(15,558,875)		
Prepaid Expenses	(2,353,237)		
Timberdeeds	30,943		
Due from Affiliates	(197,142)		
R&D Credit Receivable	(7,680)		
Deferred Costs	0		
Income Taxes Payable	583,112		
Accounts Payable and Accrued Liabilities	6,588,712		
Accrued Service Charges	(38,478)		
Due to Affiliates	0		
Accrued Interest	1		
Cash provided by (used for) noncash working capital		(3,347,191)	16,332,156
		(3,275,239)	(4,412,102)
FINANCING			
Increase in Long-Term Debt		0	108,955,000
Decrease in Long-Term Debt		(203,618)	(46,168,127)
		(3,478,857)	58,374,771
INVESTMENT			
Disposal of Property, Plant and Equipment		363,509	0
Additions to Property, Plant and Equipment		(2,267,259)	(838,919)
		(5,382,607)	57,535,852
DISTRIBUTION TO BRANT PAPER COMPANY		0	0
INCREASE (DECREASE) IN CASH DURING THE PERIOD		(5,382,607)	57,535,852
CASH BEGINNING OF PERIOD		84,305,924	32,146,612
CASH END OF PERIOD		$ 78,923,317	$ 89,682,464

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

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending February 18 through May 13, 2011

17/02/2011

Confidential

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

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

Weeks Ended February 18 - May 13, 2011

	Wk Ended 2/18	Wk Ending 2/25	Wk Ending 3/4	Wk Ending 3/11	Wk Ending 3/18	Wk Ending 3/25	Wk Ending 4/1	Wk Ending 4/8	Wk Ending 4/15	Wk Ending 4/22	Wk Ending 4/29	Wk Ending 5/6	Wk Ending 5/13	13 Week Total
Operating Receipts														
Bear Island	$ 3,482	$ 1,636	$ 2,828	$ 2,731	$ 1,553	$ 3,100	$ 3,850	$ 2,400	$ 2,750	$ 3,500	$ 3,200	$ 3,150	$ 3,250	$ 37,429
Stadacona	6,806	9,570	4,458	4,639	7,885	11,185	7,129	7,236	7,477	7,457	12,397	7,040	8,532	101,812
F. F. Soucy	5,225	5,720	6,145	1,957	1,845	1,700	4,775	1,806	3,664	1,850	2,625	1,918	6,229	45,457
Papier Masson	2,944	3,012	3,990	4,483	2,549	3,283	3,605	2,113	3,814	2,461	2,582	3,098	3,244	41,180
Total Operating Receipts	18,457	19,938	17,422	13,810	13,832	19,268	19,359	13,555	17,705	15,268	20,804	15,206	21,255	225,879
Operating Disbursements														
Fiber	(3,468)	(3,404)	(3,476)	(3,472)	(3,516)	(3,476)	(3,476)	(3,476)	(3,491)	(3,476)	(3,476)	(3,476)	(3,472)	(45,153)
Chemicals	(1,161)	(738)	(893)	(811)	(935)	(737)	(758)	(915)	(940)	(731)	(721)	(876)	(726)	(10,938)
Electricity	(3,250)	(4,235)	(2,878)	(3,347)	(3,262)	(4,152)	(3,317)	(3,332)	(3,242)	(3,242)	(4,427)	(3,292)	(3,292)	(45,268)
Recycle Material	(1,183)	(1,215)	(1,330)	(1,250)	(1,240)	(1,240)	(1,315)	(1,240)	(1,240)	(1,240)	(1,315)	(1,240)	(1,195)	(16,244)
Other Materials and Other Utilities	(2,582)	(2,110)	(2,162)	(2,206)	(2,008)	(1,963)	(1,934)	(2,053)	(2,463)	(2,092)	(1,783)	(2,103)	(1,981)	(27,441)
Property Taxes	(81)	(671)	-	-	(5)	-	-	-	(5)	-	-	-	-	(762)
Salaried and Hourly Payroll- Gross	(1,777)	(1,339)	(1,761)	(1,292)	(1,814)	(1,364)	(1,676)	(1,392)	(1,814)	(1,364)	(1,676)	(1,629)	(1,616)	(20,508)
Pension Plan and Group insurance	(323)	(452)	(515)	(2)	(3)	(802)	(328)	(189)	(3)	(802)	(328)	(189)	(3)	(3,937)
Freight	(2,267)	(2,306)	(2,155)	(2,148)	(2,151)	(2,146)	(2,203)	(2,145)	(2,145)	(2,145)	(2,145)	(2,146)	(2,046)	(28,148)
Maintenance Equipment	(218)	(322)	(471)	(292)	(346)	(277)	(424)	(301)	(311)	(287)	(546)	(292)	(287)	(4,373)
Major Maintenance	(339)	(265)	(139)	(325)	(283)	(154)	(130)	(185)	(355)	(255)	(150)	(325)	(325)	(3,232)
Capital Expenditures	(23)	(207)	(50)	(58)	(135)	(180)	(110)	-	(100)	-	(280)	-	(200)	(1,343)
Professional Fees	(100)	(25)	(10)	(20)	(15)	(10)	(50)	(15)	(15)	(10)	(20)	(15)	(100)	(404)
Leases	(37)	(5)	-	(86)	-	(0)	(5)	(83)	(3)	(1)	(5)	(83)	(0)	(310)
Other	(52)	(102)	(52)	(77)	(102)	(77)	(327)	(77)	(102)	(52)	(52)	(327)	(77)	(1,477)
Management Fee	(707)	-	(1,605)	-	(707)	-	(1,605)	-	(707)	-	(1,605)	-	-	(6,935)
Total Operating Disbursements	(17,568)	(17,396)	(17,497)	(15,385)	(16,520)	(16,577)	(17,656)	(15,403)	(16,935)	(15,696)	(18,528)	(15,992)	(15,319)	(216,472)
Net Operating Cash Flow	889	2,542	(75)	(1,575)	(2,688)	2,691	1,703	(1,848)	771	(428)	2,277	(786)	5,935	9,406
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(663)	(532)	(211)	(465)	(555)	(625)	(7,660)	-	(105)	-	-	(1,545)	-	(12,361)
Interest Payments	-	-	(1,404)	-	-	-	-	(1,404)	-	-	-	(1,404)	-	(4,212)
Total Non-Operating Cash Flow and Restructuring	(663)	(532)	(1,615)	(465)	(555)	(625)	(7,660)	(1,404)	(105)	-	-	(2,949)	-	(16,573)
Net Operating Receipts (Disbursements)	$ 226	$ 2,010	$ (1,690)	$ (2,040)	$ (3,243)	$ 2,066	$ (5,957)	$ (3,252)	$ 666	$ (428)	$ 2,277	$ (3,735)	$ 5,935	$ (7,167)
BEG. BOOK CASH BALANCE	$ 72,586	$ 72,812	$ 74,822	$ 73,132	$ 71,092	$ 67,848	$ 69,914	$ 63,957	$ 60,705	$ 61,371	$ 60,942	$ 63,219	$ 59,484	$ 72,586
Net Receipts (Disbursements)	226	2,010	(1,690)	(2,040)	(3,243)	2,066	(5,957)	(3,252)	666	(428)	2,277	(3,735)	5,935	(7,167)
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	72,812	74,822	73,132	71,092	67,848	69,914	63,957	60,705	61,371	60,942	63,219	59,484	65,419	65,419
Unused DIP Commitment	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045
LIQUIDITY	$ 73,857	$ 75,867	$ 74,177	$ 72,137	$ 68,893	$ 70,959	$ 65,002	$ 61,750	$ 62,416	$ 61,987	$ 64,264	$ 60,529	$ 66,464	$ 66,464
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955
DIP Term Loan Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Balance at End of Week	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955	$ 120,955

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

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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
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. $11.1 million) were cash collateralized in the repayment of loan balances to the ABL lender that occurred on March 1
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast
- Restructuring professional fees for the week ended April 1 includes approximately $3.1 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

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

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

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

5 - **Preliminary and subject to change**

Appendix C – Comparison of actual and projected results for the 11 weeks ended April 29, 2011

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Cash Flow Forecast - Variance Report
Actual Compared With 13-Week CFF (Dated February 17, 2011)

For the Weeks Ended April 29, 2011

05/05/2011

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White Birch Paper
Cash Flow Forecast Variance Report to 13-Week CFF (Dated 2/17/11)
Weeks Ended April 29, 2011

Consolidated
In $000's

	Cumulative 11-Week Variance to 13-Week CFF		
	Actual 2/12 Through 4/29	Forecast 2/12 Through 4/29	B (W) than Forecast 4/29
Operating Receipts			
Bear Island	$ 29,436	$ 31,029	$ (1,593)
Stadacona	78,706	86,240	(7,534)
F.F. Soucy	45,543	37,311	8,232
Papier Masson	34,532	34,838	(305)
Total Operating Receipts	188,217	189,418	(1,201)
Operating Disbursements			
Fiber	(38,959)	(38,206)	(753)
Chemicals	(9,650)	(9,337)	(313)
Electricity	(38,939)	(38,684)	(255)
Recycle Material	(15,143)	(13,809)	(1,334)
Other Materials and Other Utilities	(24,887)	(23,356)	(1,531)
Property Taxes	(873)	(762)	(111)
Salaried and Hourly Payroll - Gross	(17,523)	(17,264)	(260)
Pension Plan and Group Insurance	(3,655)	(3,745)	90
Freight	(26,386)	(23,956)	(2,429)
Maintenance Equipment	(3,917)	(3,795)	(122)
Major Maintenance	(1,760)	(2,582)	822
Capital Expenditures	(747)	(1,143)	396
Professional Fees	(288)	(289)	1
Leases	(291)	(226)	(65)
Other	(983)	(1,073)	91
Management Fee	(5,803)	(6,935)	1,132
Total Operating Disbursements	(189,802)	(185,161)	(4,640)
Net Operating Cash Flow	(1,585)	4,257	(5,842)
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(2,262)	(10,816)	8,554
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(0)	-	(0)
Interest Payments	(2,403)	(2,808)	405
Total Non-Operating Cash Flow and Restructuring	(4,665)	(13,624)	8,959
Net Operating Receipts (Disbursements)	$ (6,250)	$ (9,367)	$ 3,118
BEG. BOOK CASH BALANCE	$ 72,586	$ 72,586	$ 0
Net Receipts (Disbursements)	(6,250)	(9,367)	3,118
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	66,337	63,219	3,118
Unused DIP Commitment	1,045	1,045	-
LIQUIDITY	$ 67,382	$ 64,264	$ 3,118
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	-	-	-
DIP Loan Balance at End of Week / Period	$ 120,955	$ 120,955	$ -

White Birch Paper Holding Company - WB Canada Only
Cash Flow Forecast - Cumulative Variance Report to 13-Week CFF (Dated 2/17/11)
Weeks Ended April 29, 2011

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

	Cumulative 11-Week Variance to 13-Week CFF		
	Actual 2/12 to 4/29	Forecast 2/12 to 4/29	B (W) than Forecast 4/29
Operating Receipts			
Stadacona	78,706	86,240	(7,534)
F.F. Soucy	45,543	37,311	8,232
Papier Masson	34,532	34,838	(305)
Total Operating Receipts	158,781	158,389	392
Operating Disbursements			
Fiber	(36,703)	(35,406)	(1,298)
Chemicals	(6,821)	(6,400)	(422)
Electricity	(33,116)	(32,615)	(501)
Recycle Material	(11,832)	(10,450)	(1,382)
Other Materials and Other Utilities	(21,548)	(20,020)	(1,528)
Property Taxes	(859)	(736)	(123)
Salaried and Hourly Payroll - Gross	(13,731)	(13,242)	(490)
Pension Plan and Group Insurance	(3,655)	(3,745)	90
Freight	(23,831)	(20,955)	(2,876)
Maintenance Equipment	(2,838)	(2,088)	(750)
Major Maintenance	(1,208)	(1,860)	652
Capital Expenditures	(262)	(50)	(212)
Professional Fees	(288)	(265)	(23)
Leases	(167)	(171)	4
Other	(983)	(1,073)	91
Management Fee	(4,774)	(5,758)	984
Total Operating Disbursements	(162,618)	(154,834)	(7,784)
Net Operating Cash Flow	(3,837)	3,555	(7,392)
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(1,417)	(8,234)	6,817
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(727)	-	(727)
Interest Payments	(2,403)	(2,344)	(59)
Total Non-Operating Cash Flow and Restructuring	(4,547)	(10,578)	6,031
Net Operating Receipts (Disbursements)	$ (8,384)	$ (7,022)	$ (1,362)
BEG. BOOK CASH BALANCE	$ 62,005	$ 62,005	$ -
Net Receipts (Disbursements)	(8,384)	(7,022)	(1,362)
DIP Term Loan Borrowing	-	-	-
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	53,620	54,982	(1,362)
Unused DIP Commitment	1,045	1,045	-
LIQUIDITY	$ 54,665	$ 56,027	$ (1,362)
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 120,955	$ 120,955	$ -
DIP Term Loan Borrowing	-	-	-
DIP Loan Balance at End of Week / Period	$ 120,955	$ 120,955	$ -

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

White Birch Paper

15-Week Cash Flow Forecast

Weeks Ending May 6 through August 12, 2011

05/05/2011

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15-Week Cash Flow Forecast In $000's

Weeks Ended May 6 - August 12, 2011

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

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

CONFIDENTIAL

Key Assumptions:

1 - **Bankruptcy Filing:**
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. $11.1 million) were cash collateralized in the repayment of loan balances to the ABL lender that occurred on March 1, 2010
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast
- Restructuring professional fees for the week ended June 3, 2011 includes approximately $3.4 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee

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

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

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

5 - **Preliminary and subject to change**

Appendix E – Cash flow projections of WB Canada - 15 weeks ending August 12, 2011

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

Weeks Ending May 6 through August 12, 2011

05/05/2011

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White Birch Paper Holding Company

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

Weeks Ended May 6 - August 12, 2011

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

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

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 April 30 to August 12, 2011.

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

2 Basis of presentation:

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

3 Stakeholder support:

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

4 CCAA Filing Scenario:

- Petition Date was February 24, 2010
- Does not assume future accounts receivable contraction
- Except for restructuring professional fees (as discussed below), no cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast.
- Restructuring professional fees for the week ended June 3, 2011 includes approximately $1.7 million for estimated professional fees accrued and unpaid through that date, as well as a $4.6 million sale transaction fee
- Prior service cost component of pension contributions in Canada of CAD $1.5 million beginning with the February payments are suspended until emergence - cash savings of approximately $1.5 million CAD per month
- CAD Utility Deposits - Three weeks of utility deposits (appx. $7.5 million CAD) to secure post-petition service were made subsequent to the CCAA filing with continued weekly payments for estimated consumption of approximately $2.7 million CAD.
- Letters of Credit and Cash Deposits - Current letters of credit outstanding on the filing date of $9.5 million were cash collateralized in the repayment of loan balances to the pre-petition ABL lender with a 5% premium.

Key Hypothetical Assumptions - Continued:

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

- Pre-petition ABL facility replaced with a super priority delayed draw term loan facility of $140 million (DIP Facility) with terms, as follows:
    - Interest at L+ 1000 bps with 2% floor
    - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and $100k annual administrative fee
    - Interest on borrowings paid monthly as due
    - DIP loans paid or repaid may not be reborrowed. Forecast does not reflect repayment of loans in weeks when cash collections exceed budgeted net disbursements
- Aggregate reserves approximate $15.1 million for: the D&O Charge and the Administrative Charge, a carve-out for professional fees and a Canadian Priority Reserve.
- Forecast does not reflect any repayment of DIP loans that may occur in connection with emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company.
- Liquidity reflected at any given week includes undrawn DIP commitment that is available for draw based on budgeted net disbursements and/or borrowing base collateral that has not yet been drawn.

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

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

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