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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 – OCTOBER 8, 2010

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a Motion made by White Birch Paper Holding Company ("**White Birch**") and various of its affiliates (collectively referred to as the "**Applicants**"), the Superior Court of the Province of Québec for the District of Montréal ("**Court**"), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**")[1] issued an order ("**Initial Order**") declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. ("**EYI**" or "**Monitor**") as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest ("**Partnerships**") (the Applicants and the Partnerships are hereinafter referred to collectively as "**WB Canada**")[2]. The Initial Order has since been extended twice and is now scheduled to expire on October 15, 2010.

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

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

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

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

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

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

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

5. The Initial Order is scheduled to expire on October 15, 2010, and the Applicants have indicated their intention to seek an extension of the Initial Order, until December 17, 2010.

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

   6.1. Introduction and background;

   6.2. Terms of reference and disclaimer;

   6.3. Status of Proceedings;

   6.4. Current activities; and

   6.5. Conclusions and recommendations.

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

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

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

TERMS OF REFERENCE AND DISCLAIMER

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

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

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

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

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

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

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

STATUS OF PROCEEDINGS

9. The Initial Order was made on February 24, 2010 and was extended twice since that date. The most recent order of the Court extending the Initial Order was made on July 12, 2010, and grants an extension until October 15, 2010.

10. In the period since the last motion for an extension, on July 12, 2010, the Companies' restructuring activities have been focused exclusively on the sale process. During that period, the Companies' continued a sale and investor solicitation process ("**SISP**") that had commenced in April 2010, selected a stalking horse bidder, carried out an auction and selected an offer made at the auction as the highest and best offer.

11. Throughout this process, the Companies kept the Monitor informed of the progress, and periodically sought the Court's approval of the significant milestones. In this regard, the Court approved the SISP by order dated April 29, 2010, approved the selection of BD White Birch Investments LLC ("**BDWBI**") as the stalking horse bidder and a draft asset sale agreement by order dated September 10, 2010 and approved the sale of the assets, free and clear of liens and encumbrances, to BDWBI or purchasers designated by it, by order dated September 28, 2010.

12. As of the date of drafting of this report, the U.S. Court had approved the SISP and the selection of BDWBI as stalking horse bidder. As well, the sale hearing to approve the result of the auction had taken place, but the U.S. Court had not rendered judgment, as it requested written briefs on two specific issues, firstly, what is the basis for establishing that BDWBI's Winning Bid provides a greater recovery to Bear Island's estate on account of the unencumbered assets than the estate would otherwise recover in a liquidation; and secondly, whether BDWBI's Winning Bid is a proper credit bid on solely the fixed assets. The written briefs are expected to be filed with the U.S. Court on October 8, 2010 at the latest, and it is believed that the U.S. Court will render its decision shortly thereafter.

13. The conditions to closing have not yet been fulfilled, and the Companies and BDWBI are hopeful these can be resolved in time to have a closing of the transaction by November 19, 2010.

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

    14.1. Obtaining the approval of the U.S. Court regarding the result of the auction;

    14.2. Assuming that the approval sought is obtained, closing of the transaction with BDWBI;

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

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

CURRENT ACTIVITIES

15. The Monitor prepared several reports to the Court addressing the activities of the WB Group. The matters discussed in the said reports are still relevant, and will not be repeated herein. The present report only addresses matters that have changed since the report dated July 7, 2010.

Cash flow results/Interim Financing

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

17. The most recent cash flow projections filed with the Court were prepared for the 16 weeks ending October 15, 2010. For ease of reference, these cash flow projections are attached hereto as Appendix A.

18. WB Group and its advisors prepared a comparison of the actual and projected results, for the 14 weeks ended October 1, 2010, annexed to this report as Appendix B. The Monitor reviewed this comparison with management, and as a result of this review, the Monitor has no reason to doubt the reasonableness of the explanations provided for the variances.

19. Essentially, the comparison of actual and projected results for the 14 weeks ended October 1, 2010 indicates that while the projections contemplated a negative cash flow of US$28.5 million for the 14 week period, the actual results yielded a positive cash flow of US$2.1 million, or a favourable variance of US$30.6 million. The variance is attributed primarily to the following:

    19.1. Higher than projected collection of accounts receivable, by approximately US$10.3 million, attributed in large part to higher export sales.

    The accounts receivable were projected to be US$75.1 million as at October 1, 2010, and they are reported to amount to US$92.4 million as at that date. If the variance were strictly related to faster cash receipts, the variance would translate into lower accounts receivable by a like amount. The difference between the actual and projected accounts receivable, in view of the favourable variance in the cash receipts, suggests that the revenues were higher than anticipated during the projection period, by approximately US$27.6 million.

    19.2. Lower than projected disbursements, by approximately US$20.3 million. This variance is attributable in part to a timing variance, as the Companies' purchases and payment patterns are slightly different from the projections.

    The inventories were projected to be US$85.6 million as at October 1, 2010, and they are reported to amount to US$71.8 million as at that date. We do not have current information on the accounts payable on a week by week basis, but in view of the proceedings under the CCAA and the Code, we would expect these to remain fairly stable. As such a variance on disbursements should be a fair estimate of the variance in purchases and expenses. If this assumption is correct, the difference between the actual and projected inventories, in view of the favourable variance in the cash disbursements, suggests that the costs (costs of goods sold and operating expenses) were slightly lower than anticipated during the projection period, by approximately US$6.5 million.

20. WB Group's cash on hand stands at approximately US$72.1 million, as at October 1, 2010. This represents a net increase in cash on hand of US$5.1 million as compared with the cash on hand as at June 25, 2010, and a favourable variance of US$29.6 million as compared with the projected level.

21. The comparison of actual and projected results (Appendix B) also presents data compiled to isolate the results of WB Canada. The results for WB Canada indicate a favourable variance of US$11.9 million in receipts, and a favourable variance of US$18.4 million in disbursements, for a net favourable variance of US$30.3 million in the cash flow as compared with the projections. The explanations for the variances are similar to those outlined above in paragraph 19.

22. Based on the changes in cash, accounts receivable, inventories and Interim Financing amount drawn, and assuming that the accounts payable remain stable during the pendency of the proceedings under the CCAA and the Code, the Monitor estimates that the financial position of the WB Group has improved slightly during the period from June 25 to October 1, 2010. The analysis of the changes in position, based on the available information[7], is as follows:

	in thousands of US$		
	25-Jun-10	1-Oct-10	Net change
Cash / Bank indebtedness	(50,943)	(48,886)	2,057
Accounts receivable	89,375	92,407	3,032
Inventories	70,594	71,810	1,216
Estimated net improvement (deterioration) for the period			6,305

Updated projections

23. Management provided us with an updated cash flow projection for WB Group, for the 13 weeks ending December 31, 2010, and these cash flow projections are attached to this

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

report as Appendix C[8]. The opening cash position on these cash flow projections represents the actual cash on hand as of October 1, 2010. The remainder of the amounts represents a projection, as the actual results for the week of October 8, 2010 have not yet been compiled.

24. 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

25. 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 December 17, 2010, to allow WB Group to complete the sale process, would not be prejudicial to the creditors of WB Group.

26. 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.

27. 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 December 17, 2010.

All of which is respectfully submitted this 8th day of October 2010.

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

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

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

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[8] Management has also provided us with an updated cash flow projection for WB Canada, for the 13 week period ending December 17, 2010, 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.

Appendix A – Cash flow projections of WB Group - 16 weeks ending October 15, 2010

White Birch Paper

16-Week Cash Flow Forecast

Weeks Ending July 2 through October 15, 2010

06/07/2010

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

16-Week Cash Flow Forecast | **In $000's**

Weeks Ended July 2, 2010-October 15, 2010

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	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	Wk Ending	16 Week
	7/2	7/9	7/16	7/23	7/30	8/6	8/13	8/20	8/27	9/3	9/10	9/17	9/24	10/1	10/8	10/15	Total
Operating Receipts																	
Bear Island	$ 4,129	$ 1,700	$ 1,981	$ 2,786	$ 3,911	$ 2,100	$ 1,900	$ 3,100	$ 2,300	$ 3,425	$ 2,100	$ 1,800	$ 2,800	$ 4,225	$ 1,900	$ 2,100	$ 42,257
Stadacona	7,076	4,960	4,892	5,360	10,095	5,070	5,393	5,512	12,595	4,980	5,165	7,021	9,635	6,965	5,065	5,650	105,434
F. F. Soucy	4,059	3,926	1,837	1,490	4,441	2,954	3,420	2,589	3,749	5,299	2,588	3,213	2,228	4,670	2,885	2,470	51,817
Papier Masson	4,497	1,658	2,306	2,345	3,813	2,766	2,239	2,226	3,542	2,109	2,410	2,305	2,174	3,699	2,410	2,305	42,803
Total Operating Receipts	19,760	12,244	11,015	11,981	22,261	12,890	12,953	13,427	22,186	15,813	12,263	14,339	16,837	19,559	12,260	12,525	242,311
Operating Disbursements																	
Fiber	(2,932)	(3,224)	(3,145)	(3,119)	(3,001)	(2,980)	(2,764)	(2,817)	(3,259)	(3,277)	(3,284)	(3,297)	(3,297)	(3,277)	(3,284)	(3,297)	-50,253
Chemicals	(829)	(805)	(1,044)	(722)	(770)	(831)	(1,000)	(725)	(795)	(725)	(839)	(981)	(753)	(725)	(839)	(981)	-13,365
Electricity	(4,189)	(3,419)	(3,235)	(3,235)	(4,163)	(3,435)	(3,262)	(3,250)	(4,209)	(3,333)	(3,247)	(3,259)	(3,247)	(4,292)	(3,247)	(3,259)	-56,281
Recycle Material	(1,510)	(1,325)	(1,275)	(1,325)	(1,540)	(1,325)	(1,275)	(1,325)	(1,540)	(1,325)	(1,275)	(1,325)	(1,275)	(1,325)	(1,275)	(1,325)	-21,565
Other Materials and Other Utilities	(2,316)	(2,215)	(2,092)	(2,060)	(2,345)	(2,036)	(1,920)	(1,866)	(2,349)	(1,828)	(2,056)	(1,918)	(1,931)	(1,828)	(2,056)	(1,918)	-32,734
Property Taxes	-	-	(5)	(11)	-	-	(5)	-	-	-	-	(5)	(5)	-	-	(5)	-36
Salaried and Hourly Payroll- Gross	(1,484)	(1,743)	(1,666)	(1,597)	(1,399)	(1,881)	(1,688)	(1,593)	(1,395)	(1,681)	(1,428)	(1,835)	(1,355)	(1,681)	(1,428)	(1,835)	-25,689
Pension Plan and Group insurance	(307)	(203)	(2)	(646)	(527)	(203)	(2)	(646)	(527)	(203)	(2)	(3)	(645)	(623)	(107)	(3)	-4,646
Freight	(2,600)	(2,150)	(1,993)	(2,142)	(2,052)	(2,144)	(2,252)	(2,151)	(2,052)	(2,145)	(2,202)	(2,171)	(2,245)	(2,145)	(2,202)	(2,171)	-34,814
Maintenance Equipment	(210)	(309)	(423)	(398)	(337)	(330)	(344)	(324)	(343)	(308)	(312)	(322)	(346)	(308)	(312)	(322)	-5,247
Major Maintenance	(102)	(157)	(365)	(299)	(110)	(207)	(105)	(260)	(100)	(365)	(105)	(55)	(120)	(115)	(105)	(95)	-2,665
Capital Expenditures	-	(334)	-	(59)	-	-	(50)	(50)	-	-	-	-	-	-	-	-	-493
Professional Fees	(50)	(120)	(50)	(50)	(135)	(65)	(50)	(50)	(105)	(60)	(50)	(50)	(50)	(60)	(50)	(50)	-1,045
Leases	(2)	(10)	(42)	(8)	(9)	(20)	(33)	(1)	(9)	(16)	(8)	(34)	(1)	(16)	(8)	(34)	-249
Other	(762)	(152)	(227)	(202)	(1,652)	(202)	(202)	(202)	(202)	(227)	(227)	(202)	(227)	(227)	(227)	(227)	-5,369
Management Fee	(1,387)	-	(707)	-	(1,387)	-	-	(707)	-	(1,387)	-	(707)	-	(1,387)	-	(707)	-8,374
Bankruptcy Impacts	-	-	-	-	-	-	-	-	-	-	-	(1,500)	-	-	-	-	-1,500
Total Operating Disbursements	(18,680)	(16,166)	(16,269)	(15,873)	(19,426)	(15,658)	(14,951)	(15,967)	(16,884)	(16,878)	(15,035)	(17,664)	(15,497)	(18,007)	(15,140)	(16,229)	(264,325)
Net Operating Cash Flow	1,080	(3,922)	(5,254)	(3,892)	2,835	(2,769)	(1,998)	(2,540)	5,302	(1,065)	(2,773)	(3,325)	1,340	1,552	(2,881)	(3,704)	(22,015)
Non Operating Cash Flow and Restructuring																	
Restructuring Professional Fees	(194)	(974)	(883)	(572)	(574)	(1,079)	(495)	(440)	(385)	(1,014)	(540)	(451)	(360)	(1,139)	(340)	(539)	(9,977)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(154)	(965)	(169)	-	(154)	(965)	(69)	(100)	-	(154)	(965)	(169)	-	(154)	(965)	(169)	(5,152)
Total Non-Operating Cash Flow and Restructuring	(348)	(1,939)	(1,052)	(572)	(728)	(2,044)	(564)	(540)	(385)	(1,168)	(1,505)	(620)	(360)	(1,293)	(1,305)	(708)	(15,129)
Net Operating Receipts (Disbursements)	$ 732	$ (5,860)	$ (6,306)	$ (4,464)	$ 2,107	$ (4,812)	$ (2,562)	$ (3,080)	$ 4,917	$ (2,233)	$ (4,278)	$ (3,946)	$ 980	$ 259	$ (4,186)	$ (4,412)	$ (37,144)
BEG. BOOK CASH BALANCE	$ 67,012	$ 67,744	$ 61,884	$ 59,622	$ 55,158	$ 57,265	$ 52,452	$ 49,890	$ 46,810	$ 51,727	$ 49,494	$ 45,216	$ 41,271	$ 42,251	$ 42,510	$ 38,325	$ 67,012
Net Receipts (Disbursements)	732	(5,860)	(6,306)	(4,464)	2,107	(4,812)	(2,562)	(3,080)	4,917	(2,233)	(4,278)	(3,946)	980	259	(4,186)	(4,412)	(37,144)
DIP Term Loan Borrowing	-	-	4,045	-	-	-	-	-	-	-	-	-	-	-	-	-	4,045
ENDING BOOK CASH BALANCE	67,744	61,884	59,622	55,158	57,265	52,452	49,890	46,810	51,727	49,494	45,216	41,271	42,251	42,510	38,325	33,913	33,913
Unused DIP Commitment	4,045	4,045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 71,789	$ 65,929	$ 59,622	$ 55,158	$ 57,265	$ 52,452	$ 49,890	$ 46,810	$ 51,727	$ 49,494	$ 45,216	$ 41,271	$ 42,251	$ 42,510	$ 38,325	$ 33,913	$ 33,913
DIP TERM LOAN BALANCE																	
DIP Loan Balance at Beg. of Week	$ 117,955	$ 117,955	$ 117,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 117,955
DIP Term Loan Borrowing	-	-	4,045	-	-	-	-	-	-	-	-	-	-	-	-	-	4,045
DIP Loan Balance at End of Week	$ 117,955	$ 117,955	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000	$ 122,000

White Birch Paper
16-Week Cash Flow Forecast
Weeks Ended July 2, 2010-October 15, 2010

CONFIDENTIAL

Key Assumptions:

1 - Bankruptcy Filing:

- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. $11.1 million) were cash collateralized in the repayment of loan balances to the ABL lender that occurred on March 1.
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- No cash payments or other assumptions regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast

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
- DIP borrowings and related Unused DIP Commitment, included in this forecast, are consistent with the Supplemental Approved Budget.
- Forecast does not reflect repayment of loans in weeks when cash collections exceed budgeted net disbursements

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

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

5 - Preliminary and subject to change

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

Weeks Ending July 2 through October 15, 2010

06/07/2010

Confidential

White Birch Paper Holding Company

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

Weeks Ended July 2, 2010-October 15, 2010

CONFIDENTIAL

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	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	Wk Ending	16 Week
	7/2	7/9	7/16	7/23	7/30	8/6	8/13	8/20	8/27	9/3	9/10	9/17	9/24	10/1	10/8	10/15	Total
Operating Receipts																	
Stadacona	7,076	4,960	4,892	5,360	10,095	5,070	5,393	5,512	12,595	4,980	5,165	7,021	9,635	6,965	5,065	5,650	105,434
F. F. Soucy	4,059	3,926	1,837	1,490	4,441	2,954	3,420	2,589	3,749	5,299	2,588	3,213	2,228	4,670	2,885	2,470	51,817
Papier Masson	4,497	1,658	2,306	2,345	3,813	2,766	2,239	2,226	3,542	2,109	2,410	2,305	2,174	3,699	2,410	2,305	42,803
Total Operating Receipts	15,631	10,544	9,034	9,195	18,350	10,790	11,053	10,327	19,886	12,388	10,163	12,539	14,037	15,334	10,360	10,425	200,054
Operating Disbursements																	
Fiber	(2,682)	(2,974)	(2,895)	(2,869)	(2,751)	(2,730)	(2,502)	(2,555)	(2,997)	(2,997)	(2,994)	(2,997)	(2,997)	(2,997)	(2,994)	(2,997)	-45,927
Chemicals	(689)	(665)	(609)	(565)	(596)	(665)	(605)	(565)	(595)	(565)	(665)	(595)	(565)	(565)	(665)	(595)	-9,770
Electricity	(3,664)	(2,705)	(2,705)	(2,705)	(3,633)	(2,705)	(2,705)	(2,705)	(3,664)	(2,705)	(2,705)	(2,705)	(2,705)	(3,664)	(2,705)	(2,705)	-47,085
Recycle Material	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	(1,050)	(1,100)	-17,200
Other Materials and Other Utilities	(2,083)	(1,794)	(1,750)	(1,837)	(2,035)	(1,695)	(1,725)	(1,629)	(2,085)	(1,630)	(1,806)	(1,693)	(1,735)	(1,630)	(1,806)	(1,693)	-28,625
Property Taxes	-	-	-	-	-	-	(0)	-	-	-	-	-	-	-	-	-	-0
Salaried and Hourly Payroll- Gross	(1,093)	(1,465)	(1,066)	(1,359)	(993)	(1,643)	(1,088)	(1,355)	(989)	(1,443)	(982)	(1,403)	(964)	(1,443)	(982)	(1,403)	-19,671
Pension Plan and Group insurance	(307)	(203)	(2)	(646)	(527)	(203)	(2)	(646)	(527)	(203)	(2)	(3)	(645)	(623)	(107)	(3)	-4,646
Freight	(2,309)	(1,897)	(1,748)	(1,897)	(1,798)	(1,898)	(1,998)	(1,898)	(1,798)	(1,898)	(1,948)	(1,923)	(1,998)	(1,898)	(1,948)	(1,923)	-30,772
Maintenance Equipment	(109)	(154)	(197)	(220)	(169)	(172)	(198)	(161)	(186)	(155)	(159)	(165)	(169)	(155)	(159)	(165)	-2,691
Major Maintenance	(60)	(70)	(305)	(247)	(70)	(145)	(65)	(210)	(60)	(315)	(65)	(55)	(80)	(65)	(65)	(55)	-1,932
Capital Expenditures	-	(285)	-	(50)	-	-	(50)	(50)	-	-	-	-	-	-	-	-	-435
Professional Fees	(50)	(120)	(50)	(50)	(120)	(50)	(50)	(50)	(105)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	-995
Leases	-	(3)	-	-	-	(3)	-	-	-	(3)	-	-	-	(3)	-	-	-10
Other	(762)	(152)	(227)	(202)	(1,652)	(202)	(202)	(202)	(202)	(227)	(227)	(202)	(227)	(227)	(227)	(227)	-5,369
Management Fee	(1,194)	-	(564)	-	(1,194)	-	-	(564)	-	(1,194)	-	(564)	-	(1,194)	-	(564)	-7,036
Bankruptcy Impacts	-	-	-	-	-	-	-	-	-	-	-	(1,500)	-	-	-	-	-1,500
Total Operating Disbursements	(16,052)	(13,586)	(13,168)	(13,747)	(16,588)	(13,209)	(12,239)	(13,689)	(14,258)	(14,485)	(12,652)	(14,955)	(13,185)	(15,614)	(12,757)	(13,480)	(223,665)
Net Operating Cash Flow	(421)	(3,042)	(4,134)	(4,552)	1,762	(2,420)	(1,187)	(3,362)	5,628	(2,097)	(2,489)	(2,417)	852	(280)	(2,397)	(3,055)	(23,611)
Non Operating Cash Flow and Restructuring																	
Restructuring Professional Fees	(15)	(774)	(883)	(422)	(370)	(1,039)	(495)	(290)	(195)	(1,014)	(500)	(451)	(20)	(1,139)	(300)	(539)	-8,444
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	(131)	(825)	(144)	-	(132)	(827)	(59)	(86)	-	(131)	(828)	(145)	-	(131)	(825)	(144)	-4,409
Total Non-Operating Cash Flow and Restructuring	(146)	(1,599)	(1,027)	(422)	(502)	(1,866)	(554)	(375)	(195)	(1,145)	(1,328)	(596)	(20)	(1,270)	(1,125)	(683)	(12,853)
Net Operating Receipts (Disbursements)	$ (567)	$ (4,640)	$ (5,161)	$ (4,974)	$ 1,260	$ (4,286)	$ (1,741)	$ (3,738)	$ 5,433	$ (3,243)	$ (3,816)	$ (3,013)	$ 832	$ (1,550)	$ (3,522)	$ (3,739)	$ (36,464)
BEG. BOOK CASH BALANCE - WBPC CANADA	$ 61,382	$ 60,815	$ 56,174	$ 54,467	$ 49,492	$ 50,752	$ 46,466	$ 44,725	$ 40,988	$ 46,421	$ 43,178	$ 39,362	$ 36,349	$ 37,181	$ 35,632	$ 32,110	$ 61,382
Net Receipts (Disbursements)	(567)	(4,640)	(5,161)	(4,974)	1,260	(4,286)	(1,741)	(3,738)	5,433	(3,243)	(3,816)	(3,013)	832	(1,550)	(3,522)	(3,739)	(36,464)
DIP Term Loan Borrowings	-	-	3,454	-	-	-	-	-	-	-	-	-	-	-	-	-	3,454
GE ABL Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	60,815	56,174	54,467	49,492	50,752	46,466	44,725	40,988	46,421	43,178	39,362	36,349	37,181	35,632	32,110	28,372	28,372
Unused DIP Commitment	3,454	3,454	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIQUIDITY	$ 64,268	$ 59,628	$ 54,467	$ 49,492	$ 50,752	$ 46,466	$ 44,725	$ 40,988	$ 46,421	$ 43,178	$ 39,362	$ 36,349	$ 37,181	$ 35,632	$ 32,110	$ 28,372	$ 28,372
DIP TERM LOAN BALANCE																	
DIP Loan Balance at Beg. of Week	$ 117,955	$ 117,955	$ 117,955	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 117,955
DIP Term Loan Borrowings	-	-	3,454	-	-	-	-	-	-	-	-	-	-	-	-	-	3,454
DIP Loan Balance at End of Week	$ 117,955	$ 117,955	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409	$ 121,409

Key Hypothetical Assumptions:

1 **Purpose:**

- The attached statement of projected cash flow has been prepared by Management to present the anticipated cash inflows and outflows resulting from current operations in the period following the making of an initial order, providing for a stay of proceedings, in virtue of the *Companies' Creditors Arrangement Act* , namely the period from July 2 to October 15, 2010.

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

2 **Basis of presentation:**

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

3 **Stakeholder support:**

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

4 **CCAA Filing Scenario:**

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

Key Hypothetical Assumptions - Continued:

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

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

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

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

8 **This Cash Flow Forecast is preliminary and subject to approval of the court**

Appendix B – Comparison of actual and projected results for the 14 weeks ended October 1, 2010

White Birch Paper

Cash Flow Forecast - Variance Report
Actual Compared With 16-Week CFF (Dated July 6, 2010)

For the Weeks Ended October 1, 2010

07/10/2010

Confidential

White Birch Paper — Consolidated
Cash Flow Forecast Variance Report to 16-Week CFF (Dated 7 In $000's
Weeks ended 10/1/10

	14-Week Cumulative Variance to 16-Week CFF		
	Actual Week Ended 10/1	Forecast Week Ended 10/1	B (W) than Forecast 10/1
Operating Receipts			
Bear Island	$ 36,608	$ 38,257	$ (1,649)
Stadacona	106,887	94,719	12,169
F.F. Soucy	47,540	46,462	1,078
Papier Masson	36,776	38,088	(1,313)
Total Operating Receipts	227,810	217,526	10,285
Operating Disbursements			
Fiber	(40,468)	(43,673)	3,205
Chemicals	(12,070)	(11,545)	(525)
Electricity	(49,057)	(49,774)	718
Recycle Material	(15,434)	(18,965)	3,531
Other Materials and Other Utilities	(24,603)	(28,759)	4,156
Property Taxes	(349)	(31)	(318)
Salaried and Hourly Payroll - Gross	(22,684)	(22,426)	(258)
Pension Plan and Group Insurance	(4,087)	(4,536)	449
Freight	(29,298)	(30,442)	1,144
Maintenance Equipment	(3,451)	(4,613)	1,162
Major Maintenance	(2,586)	(2,465)	(121)
Capital Expenditures	(58)	(493)	434
Professional Fees	(762)	(945)	182
Leases	(676)	(207)	(469)
Other	(3,323)	(4,915)	1,592
Management Fee	(7,397)	(7,667)	270
Bankruptcy Impacts	-	(1,500)	1,500
Total Operating Disbursements	(216,302)	(232,956)	16,654
Net Operating Cash Flow	11,508	(15,430)	26,938
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(5,445)	(9,099)	3,654
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(0)	-	(0)
Interest Payments	(4,006)	(4,018)	12
Total Non-Operating Cash Flow and Restructuring	(9,451)	(13,117)	3,666
Net Operating Receipts (Disbursements)	$ 2,057	$ (28,547)	$ 30,604
BEG. BOOK CASH BALANCE	$ 67,012	$ 67,012	$ -
Net Receipts (Disbursements)	2,057	(28,547)	30,604
DIP Term Loan Borrowing	3,000	4,045	(1,045)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	72,069	42,510	29,559
Unused DIP Commitment	1,045	-	1,045
LIQUIDITY	$ 73,114	$ 42,510	$ 30,604
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 117,955	$ 117,955	$ -
DIP Term Loan Borrowing	3,000	4,045	(1,045)
DIP Loan Balance at End of Week / Period	$ 120,955	$ 122,000	$ (1,045)

White Birch Paper Holding Company - WB Canada Only White Birch Paper Holding Company - Canada Only
Cash Flow Forecast - Cumulative Variance Report to 16-Week CFF (Da In $000's
Weeks ended 10/1/10

	14-Week Cumulative Variance to 16-Week CFF		
	Actual Week Ended 10/1	Forecast Week Ended 10/1	B (W) than Forecast 10/1
Operating Receipts			
Stadacona	106,887	94,719	12,169
F.F. Soucy	47,540	46,462	1,078
Papier Masson	36,776	38,088	(1,313)
Total Operating Receipts	191,202	179,269	11,934
Operating Disbursements			
Fiber	(36,616)	(39,937)	3,321
Chemicals	(8,974)	(8,510)	(464)
Electricity	(40,647)	(41,675)	1,028
Recycle Material	(11,850)	(15,050)	3,200
Other Materials and Other Utilities	(20,618)	(25,126)	4,508
Property Taxes	(223)	(0)	(222)
Salaried and Hourly Payroll - Gross	(17,643)	(17,286)	(357)
Pension Plan and Group Insurance	(4,087)	(4,536)	449
Freight	(25,398)	(26,902)	1,503
Maintenance Equipment	(2,244)	(2,367)	123
Major Maintenance	(2,096)	(1,812)	(284)
Capital Expenditures	(18)	(435)	417
Professional Fees	(741)	(895)	154
Leases	(541)	(10)	(531)
Other	(3,323)	(4,915)	1,592
Management Fee	(6,065)	(6,471)	406
Bankruptcy Impacts	-	(1,500)	1,500
Total Operating Disbursements	(181,086)	(197,427)	16,343
Net Operating Cash Flow	10,116	(18,159)	28,277
Non Operating Cash Flow and Restructuring			
Restructuring Professional Fees	(3,515)	(7,606)	4,091
Restructuring Bank Fees and Other Expenses	-	-	-
Intercompany Transfers	(1,468)	-	(1,468)
Interest Payments	(4,006)	(3,439)	(567)
Total Non-Operating Cash Flow and Restructuring	(8,989)	(11,045)	2,056
Net Operating Receipts (Disbursements)	$ 1,127	$ (29,203)	$ 30,331
BEG. BOOK CASH BALANCE	$ 61,382	$ 61,382	$ -
Net Receipts (Disbursements)	1,127	(29,203)	30,331
DIP Term Loan Borrowing	3,000	3,454	(454)
GE ABL Borrowing (Repayment)	-	-	-
ENDING BOOK CASH BALANCE	65,509	35,632	29,877
Unused DIP Commitment	1,045	-	1,045
LIQUIDITY	$ 66,554	$ 35,632	$ 30,922
DIP TERM LOAN BALANCE			
DIP Loan Balance at Beg. of Week / Period	$ 117,955	$ 117,955	$ -
DIP Term Loan Borrowing	3,000	3,454	(454)
DIP Loan Balance at End of Week / Period	$ 120,955	$ 121,409	$ (454)

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

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending October 8 through December 31, 2010

08/10/2010

Confidential

White Birch Paper CONSOLIDATED CONFIDENTIAL

Rolling Weekly Forecast In $000's

Weeks Ended October 8, 2010-December 31, 2010

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

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

Key Assumptions:

1 - **Bankruptcy Filing:**
- Petition Date was February 24, 2010
- Prior service cost component of pension contributions in Canada of CAD $1.5 million are assumed suspended until emergence - savings of approximately $1.5 million CAD per month
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. $11.1 million) were cash collateralized in the repayment of loan balances to the ABL lender that occurred on March 1
- Projected cash balances should be viewed on a consolidated basis only
  Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- No cash payments, or other assumptions, regarding emerging from CCAA and Chapter 11 Bankruptcy, or a 363 Sale of the Company, are reflected in the forecast (as a result, sale transaction fees have not been included in this forecast)

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

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

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

5 - **Preliminary and subject to change**

Appendix D – Cash flow projections of WB Canada - 13 weeks ending December 31, 2010

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

Weeks Ending October 8 through December 31, 2010

08/10/2010

Confidential

White Birch Paper Holding Company

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

Weeks Ended October 8, 2010-December 31, 2010

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

White Birch Paper Holding Company- CANADA ONLY
13 Weekly Cash Flow Forecast
Weeks Ended October 8, 2010-December 31, 2010

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 October 8 to December 31, 2010.

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

2 Basis of presentation:

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

3 Stakeholder support:

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

4 CCAA Filing Scenario:

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

White Birch Paper Holding Company- CANADA ONLY
13 Weekly Cash Flow Forecast
Weeks Ended October 8, 2010-December 31, 2010

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Key Hypothetical Assumptions - Continued:

5 Includes the Following DIP Financing Assumptions:

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

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

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

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