

Cellu Tissue Holdings, Inc.  
Form DFAN14A  
September 29, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. \_\_\_)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only

(as permitted by Rule 14a-6 (e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**CELLU TISSUE HOLDINGS, INC.**

(Name of Registrant as Specified In Its Charter)

**CLEARWATER PAPER CORPORATION**

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

## Edgar Filing: Cellu Tissue Holdings, Inc. - Form DFAN14A

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Clearwater Paper Corporation  
Oppenheimer  
5  
th  
Annual  
Industrials  
Conference  
September 29, 2010

1

#### Forward-Looking Statements

This presentation contains, in addition to historical information, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the proposed merger involving Clearwater Paper and Cellu Tissue and the transactions related thereto (the merger), expected accretion to earnings, the estimated amount of annual synergies resulting from the merger, expected annual revenues of Clearwater Paper and Cellu Tissue as a combined company following the merger, the benefits of the merger to Clearwater Paper stockholders, opportunities for growth with existing customers and new customers in new channels, tissue production facilities and the expected timing of closing. Words such as anticipate,

expect,  
intend,  
plan,  
target,  
project,  
believe,  
schedule,  
estimate,  
may,

and similar expressions are intended to identify such

forward-looking statements. These forward looking statements are based on management's current expectations, estimates, assumptions and projections that are subject to change. Our actual results of operations may differ materially from those expressed or implied by the forward-looking statements contained in this presentation. Important factors that could cause or contribute to such differences include the risk factors described in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2009, as well as the following:

the closing of the merger may be delayed or may not occur

difficulties with the integration process or the realization of the benefits expected from the merger

Clearwater Paper's ability to obtain debt financing to fund the acquisition of Cellu Tissue

general economic conditions in the regions and industries in which Clearwater Paper and Cellu Tissue operate

changes in the cost and availability of wood fiber used in the production of the companies products

litigation or regulatory matters involving antitrust or other matters that could affect the closing of the transaction

Forward-looking statements contained in this presentation represent management's views only as of the date of this presentation. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

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**ADDITIONAL INFORMATION AND WHERE TO FIND IT**

Cellu Tissue intends to file with the SEC a preliminary proxy statement and a definitive proxy statement and other relevant material in connection the merger. The definitive proxy statement will be sent or given to the stockholders of

Cellu Tissue. Before making any voting or investment decision with respect to the merger, investors and stockholders of Cellu Tissue are urged to read the proxy statement and the other relevant material when they become available because they will contain important information about the merger. The proxy statement and other relevant materials (when they become available), and any other documents filed by Cellu Tissue with the SEC, may be obtained free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov), at Cellu Tissue's Investor Relations website at [cellutissue.com/investor](http://cellutissue.com/investor) (click "SEC filings") or from Cellu Tissue by contacting Investor Relations by mail at 1855 Lockeway Drive, Suite 501,

Alpharetta, Georgia 30004, Attention: Investor Relations, or by telephone at (707) 407-2164.

**PARTICIPANTS IN THE SOLICITATION**

Clearwater Paper and Cellu Tissue and their respective directors and executive officers may be deemed to be

participants in the solicitation of proxies from Cellu Tissue stockholders in connection with the merger. Information about Clearwater Paper's directors and executive officers is set forth in Clearwater Paper's proxy statement on Schedule 14A filed with the SEC on March 29, 2010 and its Annual

Report on Form 10-K for the year ended

December 31, 2009 filed with the SEC on February 26, 2010. Information about Cellu Tissue's directors and executive officers is set forth in its proxy statement on Schedule 14A filed with the SEC on June 25, 2010. Additional information regarding the interests of participants in the solicitation of proxies in connection the merger will be included in the proxy statement that Cellu Tissue intends to file with the SEC.

3  
Company Overview



4  
Clearwater Paper Overview  
Leading manufacturer of private-label consumer tissue and fully-bleached SBS paperboard, with  
\$1.3  
billion  
in  
net  
sales  
and  
\$165.3  
million

of  
Adjusted  
EBITDA  
1  
for  
the  
last twelve  
months  
(LTM)  
ending June 30, 2010  
Segment  
Net  
Sales  
2  
Segment  
Adjusted  
EBITDA  
1  
Segment  
Adjusted  
EBITDA  
Margin  
%  
1,3  
1 See  
Appendix  
A:  
Financial  
Detail  
for  
the  
definitions  
of  
Adjusted  
EBITDA  
and  
Segment  
Adjusted  
EBITDA  
as  
well  
as  
the  
reconciliation  
to  
the  
most  
comparable  
GAAP  
measures.

2 Net sales excludes intersegment net sales and transfers.

3 Segment Adjusted EBITDA margin percentage calculated by dividing Segment Adjusted EBITDA by Segment Net Sales.

%

of

LTM

Net

Sales

2

(\$ in millions)

Pulp &

Paperboard

(PPD)

\$759.3

\$62.2

3

8.2%

\$561.7

\$122.9

21.9%

Consumer

Products

(CPD)

\$445  
\$452  
\$504  
\$554  
\$562  
\$731  
\$751  
\$696  
\$759  
\$672  
2006

2007  
2008  
2009  
LTM 6/30/10

\$41  
\$34  
\$53  
\$138  
\$123  
\$62  
\$51  
\$35  
\$80  
\$70  
9.0%  
8.8%  
12.5%  
6.0%  
13.9%

2006  
2007  
2008  
2009  
LTM 6/30/10  
5

Financial Track Record  
(\$ in millions)

Adjusted  
EBITDA  
2,3  
Net Sales

1  
1 Net sales excludes intersegment net sales and transfers.

2 See  
Appendix  
A:

Financial  
Detail  
for  
the  
definition  
of  
Adjusted  
EBITDA  
as  
well  
as  
the  
reconciliation  
to

the  
most  
comparable  
GAAP  
measure.

3 Clearwater Paper's total Adjusted EBITDA includes corporate and eliminations.

4 Adjusted EBITDA margin percentage calculated by dividing Adjusted EBITDA by Net Sales.

\$1,117

\$1,183

\$1,255

\$1,250

\$101

\$104

\$75

4 Yr Average: \$1,201mm

\$174

CPD

PPD

Margin

4

4 Yr Average: \$114mm

\$1,321

\$165

6

Consumer Products Segment Overview

Committed to maintaining high-quality products that match the quality of leading national brands

Only U.S. consumer tissue producer that manufactures solely private label tissue  
High-Quality, Premium Products (\$ in millions)  
Segment EBITDA

1

Net Sales

% Growth:

-

1.6%

11.6%

9.8%

-

\$445

\$452

\$504

\$554

\$562

\$0

\$100

\$200

\$300

\$400

\$500

\$600

2006

2007

2008

2009

LTM 6/30/10

1 See

Appendix

A:

Financial

Detail

for the definition of Segment EBITDA as well as the reconciliation to the most comparable GAAP measure.

2 Segment EBITDA margin percentage calculated by dividing Segment EBITDA by Segment Net Sales.

% Margin:

2

9.3%

7.5%

10.5%

24.9%

21.9%

\$41

\$34

\$53

\$138

\$123

\$0

\$25

\$50

\$75

\$100

\$125



\$150

2006

2007

2008

2009

LTM 6/30/10

7

Attractive Industry Characteristics -Tissue

30.5%

30.9%

17.8%

13.0%

14.4%

20.2%

Facial tissue

Bath tissue

Paper towels

2002

2009

Private label tissue market share continues to grow in key products

2

Attractive and stable segment of the paper market

1

Source: RISI and IRI.

1 Based on converted short tons.

2 Represents market share as a % of sales.

8  
Premier U.S. Private Label Tissue Producer

Produced  
approximately  
56%  
of  
private  
label  
tissue  
products

sold  
in  
grocery  
stores in the U.S. in 2009

Well-positioned to benefit from value-oriented customers shifting to private  
label products

Customers include top three national grocery chains

1 IRI Consumer Panel Projections, Consumer Insights Builder.

2 IRI Infoscan, U.S. grocery case sales.

Grocery

Stores

45%

Non-

Grocery

55%

Branded

73%

Private

Label

27%

Other

44%

U.S. Tissue

Market

2009 U.S. At-Home

Tissue Market

1

2009 Grocery Store

Product Mix

2

2009 U.S. Private Label

Grocery Tissue Supplier

2

Clearwater

Paper

56%

Away-

from

Home

33%

At Home

67%

Consumer Products Shelby, NC Expansion

Building a 70,000 ton TAD paper machine facility and tissue converting lines capable of producing ultra grades of private label tissue products

Expanding Clearwater Paper's geographic reach

Projected returns for this project are approximately twice Clearwater Paper's cost of capital

The total cost for the new facilities is expected to be approximately \$260-\$280 million

The first two converting lines are expected to begin production during the second half of 2011

The paper machine is expected to begin production in the second half of 2012

9

10

Pulp and Paperboard Segment Overview

Focus on high-end paperboard products,  
such as pharmaceuticals and cosmetics  
packaging

Superior print surfaces and cleanliness for  
discriminating domestic and international  
markets



Valued industry consulting

Effective logistics to meet just-in-time  
customer needs

High-Quality, Premium Products (\$ in millions)

Segment Adjusted EBITDA

1,2

Net Sales

1

1 Includes Wood Products segment.

2 See

Appendix

A:

Financial

Detail

for the definition of Segment Adjusted EBITDA as well as the reconciliation to the most comparable GAAP measure.

3 Segment Adjusted EBITDA margin percentage calculated by dividing Segment Adjusted EBITDA by segment net sales.

% Margin:

3

10.5%

10.9%

4.7%

7.3%

8.2%

\$70

\$80

\$35

\$51

\$62

\$0

\$25

\$50

\$75

\$100

2006

2007

2008

2009

LTM 6/30/10

% Growth:

-

8.9%

2.6%

(7.3%)

-

\$672

\$731

\$751

\$696

\$759

\$0  
\$250  
\$500  
\$750  
\$1,000  
2006  
2007  
2008  
2009  
LTM 6/30/10

11

Attractive Industry Characteristics

Paperboard

71%

85%

0%

20%

40%

60%

80%

100%

1998

2009

Source: RISI.

1 Top 5 manufacturers in 1998 were International Paper, Westvaco, Temple-Inland, Georgia-Pacific and Potlatch; Top 5 manufacturers in 2009 were Georgia-Pacific, Clearwater Paper and Evergreen Packaging.

2 Based on tons produced.

3 Average price per short ton of 16 pt. SBS folding carton C1S.

2009 North American Bleached

Paperboard (SBS) Production

Pulp and Paperboard

Capacity

Top 5 Manufacturers

Stable demand for U.S. paperboard products

Georgia Pacific, 12%

Clearwater Paper, 12%

Evergreen Packaging,

12%

Rock-Tenn, 5%

Tembec Paperboard,

3%

Weyerhaeuser, 5%

MeadWestvaco, 24%

International Paper,

25%

Smurfit Stone, 2%

1

12

Strategically Positioned Pulp & Paperboard Facilities

Facilities positioned to provide broad geographic reach and cost-efficient transportation points

Idaho Mill

Reduced transportation costs to Asia versus East Coast competitors

One of two bleached  
paperboard mills in  
Western U.S.

418,000 tons of bleached  
paperboard produced  
in 2009

Arkansas Mill

Central location reduces freight  
costs to Midwest and East Coast

Most recently built bleached  
paperboard mill in North  
America

317,000 tons of bleached  
paperboard produced in 2009  
2009 PPD Sales

North  
America,  
83%  
Europe,  
1%  
Asia,  
16%

13  
Cellu Tissue Acquisition

14  
Transaction Overview

On  
September  
16  
th  
Clearwater  
Paper  
announced  
it



agreed  
to  
acquire  
Cellu  
Tissue  
Holdings, Inc. in cash for approximately \$502 million

Price per Cellu  
Tissue share is \$12.00

Approximately  
\$255  
million  
of  
Cellu  
Tissue  
existing  
net  
debt  
1  
to be retired or  
assumed,  
including  
the  
tendering  
or  
calling  
of  
Cellu  
Tissue s  
existing  
Senior  
Secured Notes

Concurrent with the merger agreement, Clearwater Paper entered into a  
Commitment Letter relating to a \$300 million Senior Unsecured Bridge Facility

Transaction  
expected  
to  
be  
ultimately  
financed  
with  
\$350  
million  
of new Senior  
Unsecured Notes and approximately \$210 million of cash on hand

Transaction expected to close in the fourth quarter of 2010

Customary  
closing  
conditions,  
including  
Cellu  
Tissue  
shareholder  
approval and Hart-  
Scott-Rodino  
clearance

Significant  
shareholder  
and  
CEO  
of  
Cellu  
Tissue  
have  
executed  
a  
voting  
agreement in support of transaction

1 See  
Appendix  
A:  
Financial  
Detail  
for  
the  
definition  
of  
net  
debt.  
Cellu

Tissue net debt as of May 27, 2010.

15

Transaction Highlights

Strengthen position as one of the leading private label tissue manufacturers

National presence as a papermaker and converter of tissue products with 14 sites throughout North America

Increased exposure to more stable tissue sector

Customer growth with existing and new customers

Immediately accretive to earnings per share before synergies

Expected annual net cost savings of \$15-\$20 million to be realized by end of 2012

Substantial  
liquidity  
and  
conservative  
leverage  
profile  
upon  
the  
closing  
of  
the  
acquisition

Seasoned Clearwater Paper management and operational teams with experienced employees

16

Strengthening Financial Performance

1 Last twelve months ended June 30, 2010.

2 Last twelve months ended May 27, 2010.

3 Expected net run-rate cost savings of approximately \$15-\$20 million per annum by end of 2012.

4 Net sales excludes intersegment net sales and transfers.

5 See

Appendix

A:

Financial

Detail

for  
the  
definition  
of  
Adjusted  
EBITDA  
as  
well  
as  
the  
reconciliation  
to  
the  
most  
comparable  
GAAP  
measure.

6 Adjusted EBITDA margin percentage calculated by dividing Adjusted EBITDA by sales.

(\$ in Millions)

Clearwater

Paper

1

Cellu

Tissue

2

Combined

Clearwater Paper &

Cellu

Tissue

Expected Annual

Net Run-Rate

Cost Savings

3

Combined

Clearwater Paper &

Cellu

Tissue with

Expected Run-Rate

Cost Savings

LTM Net Sales

4

\$1,320.9

\$524.5

\$1,845.4

-

\$1,845.4

LTM Adj. EBITDA

5

\$165.3

\$73.7

\$239.0

\$15.0 -

\$20.0

\$254.0 -

\$259.0

Adj. EBITDA Margin %

6

12.5%

14.1%

13.0%

-

13.8% -

14.0%

Capacity ('000 TPY):

Tissue Hardroll

225

247

472

-

472

Tissue Converted

213

182

395

-

395

Cost Savings Opportunities

Freight Cost Minimization

Pulp Optimization

SG&A

Hardroll Integration

Efficiency Improvements



Scale Benefits

17

Expected \$15-\$20 Million of Annual Net Cost Savings to Be  
Realized by End of 2012

Consumer  
Products  
59%  
Pulp &  
Paperboard  
41%  
Tissue  
76%  
Machine-  
Glazed  
22%

Foam

2%

Consumer

Products

43%

Pulp &

Paperboard

57%

18

Pro Forma Sales Mix Change

Last Twelve Months (LTM)

1

1

Includes

the

results

of

Clearwater

Paper

for

the

last

twelve

months

ended

June

30,

2010

and

includes

the

results

of

Cellu

Tissue

for

the

last

twelve

months

ended

May

27,

2010.

Net

sales

excludes

intersegment net sales and transfers.

2

Preliminary

classification

assumes

Cellu

Tissue s

total

net

sales

is

included

in

Clearwater

Paper s

Consumer

Product s

segment.

Acquisition Supports Strategy to Grow the Size and Scope of Consumer

Products Segment

Clearwater Paper

Stand Alone Sales Mix

Cellu

Tissue

Stand Alone Sales Mix

Pro Forma Sales Mix

\$1,321 Million

\$525 Million

\$1,845 Million

2

1 Clearwater Paper capacities exclude tissue facility under construction in Shelby, NC expected to have 70,000 tons of annual converting facility expected to be operational in FY 2012.

2 Excludes  
Cellu  
Tissue  
converting  
capacity  
greenfield  
investment  
at  
Oklahoma

City,  
Oklahoma.

3 Excludes foam capacity.

4 MG stands for machine-glazed paper.

19

Strong Geographic Fit

Clearwater Paper

Cellu

Tissue

Complementary Geographic Asset Bases

Bleached Paperboard

765,000 tons

Tissue Hardroll

225,000 tons

Tissue Converting

213,000 tons

Pulp

845,000 tons

Sawmill

205,000 mbf

Clearwater Paper Capacities<sup>1</sup>

Clearwater Paper Pulp

Clearwater Paper Sawmill

Clearwater Paper SBS

Cellu

Tissue Tissue/MG Hardroll

4

Clearwater Paper Tissue Converting

Clearwater Paper Tissue Hardroll

Cellu

Tissue Headquarters

Cellu

Tissue

Tissue/MG

Converting

4

Clearwater Paper Headquarters

Spokane, WA

Corporate Headquarters

Lewiston, ID

Converting Capacity:

102,000 tons

Lewiston, ID (Sawmill)

Capacity: 205,000 mbf

Lewiston, ID (Pulp)

Capacity: 540,000 tons

Lewiston, ID (SBS)

Capacity:

435,000 tons

Lewiston, ID (Tissue)

Capacity: 189,000 tons  
Las Vegas, NV (TAD)  
Capacity: 36,000 tons  
Las Vegas, NV  
Converting Capacity:  
50,000 tons  
Cypress Bend, AR (Pulp)  
Capacity: 305,000 tons  
Cypress Bend, AR (SBS)  
Capacity: 330,000 tons  
Elwood, IL  
Converting Capacity:  
61,000 tons  
Wiggins, MS  
Capacity: 54,000 tons  
Neenah, WI  
Capacity: 85,000 tons  
Ladysmith, WI  
Capacity: 55,000 tons  
Oklahoma City, OK  
Converting Capacity  
East Hartford, CT  
Capacity: 29,000 tons  
Gouverneur, NY  
Capacity: 32,000 tons  
Alpharetta, GA  
Corporate Headquarters  
Thomaston, GA  
Converting Capacity  
Long Island, NY  
Converting Capacity  
Shelby, NC (TAD)  
Announced Capacity: 70,000 tons  
Converting Capacity  
Neenah, WI  
Converting Capacity  
Menominee, MI  
Capacity: 32,000 tons  
St. Catharines, ON (TAD)  
Capacity: 45,000 tons  
Cellu  
Tissue  
Capacities  
2,3  
Tissue Hardroll  
247,000 tons  
Tissue Converting  
182,000 tons  
MG Hardroll  
4

85,000 tons  
MG Converting  
4  
13,000 tons



20  
Complementary Customer Base  
Consumer Products Segment  
National  
Grocery  
Channel  
Cellu Tissue  
Customer  
Opportunity  
Add National  
Grocery

Customers  
Add Regional  
Grocery  
Customers  
Add Value  
Retailers  
(mass, disc, dollar)  
Broad  
Broad  
Customer  
Customer  
Base  
Base

30%  
17%  
16%  
7%  
6%  
5%  
4%  
2%  
2%  
2%  
1%

1%  
1%  
1%  
1%  
1%  
0%  
0%  
0%  
4%  
0.0%  
5.0%  
10.0%  
15.0%  
20.0%  
25.0%  
30.0%  
35.0%

21  
2009 North American Tissue Market by Producer  
Remaining Manufacturing Base Highly Fragmented  
Large Brand Manufacturers  
Source: Equity research.

1 Clearwater  
Paper  
tissue  
hardroll  
capacity  
combined  
with  
Cellu  
Tissue  
tissue  
hardroll  
capacity.

1  
The Combined Company Will Be the Sixth-Largest Manufacturer in the  
North American Tissue Market

22

Conservative Pro Forma Capitalization

(\$ in millions)

1

As of June 30, 2010, Clearwater Paper is eligible to borrow under the credit facility at LIBOR plus 2.25%. Availability under the credit facility as of June 30, 2010.

2

\$150.0 million face amount.

3

\$234.5 million face amount.

4

See Appendix A: Financial Detail

for the definitions of Adjusted EBITDA and net debt as well as the reconciliation of Adjusted EBITDA to the most comparable

5  
Clearwater Paper liquidity defined as Cash & Cash equivalents plus availability under the Revolving Credit Facility, which wa  
Credit Facility of \$125 million excludes \$50 million accordion feature.

Clearwater

6/30/2010

Cellu

Tissue

5/27/2010

Pro Forma

Cash and Short-Term Investments

\$333.0

\$3.2

\$ 126.5

Clearwater

Paper

Revolving

Credit

Facility

1

-

-

-

Clearwater

Paper

Senior

Unsecured

Notes

due

2016

2

148.4

-

148.4

Cellu

Tissue Revolving Credit Facility

-

8.0

-

Cellu

Tissue

Senior

Secured

Notes

due

2014

3

-

227.3

-  
 Cellu  
 Tissue Industrial Revenue Bonds  
 -  
 16.0  
 16.0  
 Clearwater New Senior Unsecured Notes  
 -  
 -  
 350.0  
 Total Debt  
 \$148.4  
 \$251.3  
 \$514.4  
 LTM Adjusted EBITDA  
 4  
 \$165.3  
 \$73.7  
 \$239.0  
 Liquidity and Credit Statistics  
 Cash and Short-Term Investments  
 \$333.0  
 \$126.5  
 Available  
 Revolver  
 Amount  
 1  
 113.3  
 113.3  
 Total Liquidity  
 5  
 \$446.3  
 \$239.8  
 Total Debt / LTM Adjusted EBITDA  
 4  
 0.9x  
 2.2x  
 Net Debt / LTM Adjusted EBITDA  
 4  
 N/A  
 1.6x

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Appendix A: Financial Detail



24

Reconciliation of GAAP to Non-GAAP:

Clearwater Paper EBITDA and Adjusted EBITDA

1 See page 27 for definitions of EBITDA and Adjusted EBITDA.

2006

2007

2008

2009

LTM 6/30/10

Net Earnings

\$20.9

\$25.3  
 \$9.7  
 \$182.5  
 \$114.3  
 Income Tax Provision  
 12.4  
 14.1  
 5.6  
 93.2  
 80.7  
 Interest Expense, Net  
 13.1  
 13.0  
 13.1  
 15.5  
 16.9  
 Depreciation & Amortization  
 54.3  
 51.3  
 47.0  
 47.4  
 47.7  
 EBITDA  
 \$100.6  
 \$103.7  
 \$75.4  
 \$338.6  
 \$259.6  
 Debt Retirement Costs  
 -  
 -  
 -  
 6.3  
 -  
 Alternative Fuel Mixture Tax Credit  
 --  
 --  
 --  
 (170.6)  
 (94.3)  
 Adjusted EBITDA  
 \$100.6  
 \$103.7  
 \$75.4  
 \$174.2  
 \$165.3  
 (\$ in millions)  
 1  
 1

25

Reconciliation of GAAP to Non-GAAP:

Clearwater Paper Segment EBITDA and Segment Adjusted EBITDA

(\$ in millions)

2006

2007

2008

2009

LTM 6/30/10

Consumer Products

Operating Income

\$25.7  
 \$17.6  
 \$37.3  
 \$122.1  
 \$106.5  
 Depreciation  
 15.8  
 16.3  
 15.7  
 16.0  
 16.4  
 Segment EBITDA  
 \$41.5  
 \$33.9  
 \$53.0  
 \$138.1  
 \$122.9  
 Pulp & Paperboard  
 Operating Income  
 \$32.2  
 \$45.0  
 \$4.4  
 \$191.9  
 \$127.1  
 Depreciation  
 38.0  
 34.6  
 30.8  
 29.9  
 29.4  
 Segment EBITDA  
 \$70.2  
 \$79.5  
 \$35.3  
 \$221.8  
 \$156.5  
 Alternative Fuel Mixture Tax Credit  
 --  
 --  
 --  
 (170.6)  
 (94.3)  
 Segment Adjusted EBITDA  
 \$70.2  
 \$79.5  
 \$35.3  
 \$51.1  
 \$62.2

1 See page 27 for definitions of Segment EBITDA and Segment Adjusted EBITDA.

1

1  
1  
1

26

Reconciliation of GAAP to Non-GAAP:

Cellu

Tissue EBITDA and Adjusted EBITDA

(\$ in millions)

2008

2009

2010

LTM 5/27/10

Net Earnings

\$3.7

\$6.6  
 \$3.8  
 \$0.1  
 Interest Expense  
 19.9  
 24.7  
 39.6  
 40.6  
 Income Tax Provision (Benefit)  
 (3.9)  
 (0.6)  
 7.5  
 2.8  
 Depreciation & Amortization  
 24.1  
 26.5  
 29.2  
 29.7  
 EBITDA  
 \$43.8  
 \$57.2  
 \$80.1  
 \$73.2  
 Accelerated Stock-based Compensation  
 --  
 --  
 1.1  
 1.1  
 Mississippi Sales Tax Audit  
 --  
 0.3  
 --  
 --  
 Terminated Acquisition Costs  
 2.1  
 0.1  
 --  
 --  
 Natural Dam Fire  
 --  
 --  
 0.3  
 --  
 Insurance Claim for Wrapper Damage  
 --  
 --  
 (0.5)  
 (0.5)  
 APF Transition and Related Costs  
 --

0.9

0.4

--

Restatement

Legal / Accounting Fees

--

0.8

--

--

Mill Restructuring

0.2

--

--

--

Whistleblower Investigation

0.4

--

--

--

Adjusted EBITDA

\$46.6

\$59.3

\$81.3

\$73.7

1 See page 27 for definitions of EBITDA and Adjusted EBITDA.

1

1



27

Definitions of Non-GAAP Measures

Clearwater Paper Definitions of Non-GAAP Measures

EBITDA

is a non-GAAP measure that Clearwater Paper management uses to evaluate the cash generating capacity of Clearwater Paper. The most directly comparable GAAP measure is net earnings. EBITDA, as defined by Clearwater Paper management, is net earnings, interest expense, income taxes, and

depreciation  
and  
amortization.

It  
should  
not  
be  
considered  
as  
an  
alternative  
to  
net  
earnings  
computed  
under  
GAAP.

Adjusted EBITDA

is a non-GAAP measure that Clearwater Paper management defines as EBITDA adjusted for nonrecurring expenses or income including debt retirement costs and alternative fuel tax credits. The most directly comparable GAAP measure is net earnings, considered as an alternative to net earnings computed under GAAP.

Segment EBITDA

is a non-GAAP measure used by Clearwater Paper management. The most directly comparable GAAP measure is segment operating income.

Segment  
EBITDA,  
as  
defined  
by  
Clearwater  
Paper  
management,  
is  
segment  
operating  
income  
adjusted  
for  
segment  
depreciation  
and  
amortization.

It  
should  
not  
be  
considered  
as  
an

alternative  
to  
segment  
operating  
income  
computed  
under  
GAAP.  
Segment  
Adjusted  
EBITDA  
is  
a  
non-GAAP  
measure  
that  
Clearwater  
Paper  
management  
defines  
as  
Segment  
EBITDA  
adjusted  
for  
nonrecurring  
expenses  
or  
income,  
including  
alternative  
fuel  
tax  
credits.  
The  
most  
directly  
comparable  
GAAP  
measure  
is  
segment  
operating  
income.

It  
should  
not be considered as an alternative to segment operating income computed under GAAP.

Net debt  
is a non-GAAP measure that Clearwater Paper management defines as total debt less cash and cash equivalents.  
Cellu

Tissue Definitions of Non-GAAP Measures

EBITDA

is a non-GAAP measure. Cellu

Tissue management defines EBITDA as earnings before interest expense, income taxes and depreciation and amortization.

EBITDA

is a supplemental measure of operating performance that does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined under GAAP, and Cellu Tissue s calculation thereof may not be comparable

to that reported by other companies. EBITDA has limitations as an analytical tool and should not be considered in isolation, or analysis of Cellu

Tissue s results as reported under GAAP.

Adjusted  
EBITDA  
is  
a  
non-GAAP  
measure.

Cellu  
Tissue  
management  
defines

Adjusted  
EBITDA

as  
EBITDA  
adjusted

to  
reflect  
the  
additions  
and

eliminations of specifically identified items. EBITDA is a supplemental measure of operating performance that does not repre

be  
considered

as  
an  
alternative

to  
net  
income  
or

cash  
flow  
from  
operations,  
as  
determined

under  
GAAP,  
and

Cellu  
Tissue s  
calculation  
thereof

may  
not  
be  
comparable

to  
that  
reported

by  
other  
companies.  
EBITDA  
has  
limitations  
as  
an  
analytical  
tool  
and  
should  
not  
be  
considered  
in  
isolation,  
or  
as  
substitutes  
for  
analysis  
of  
Cellu  
Tissue s  
results  
as  
reported  
under  
GAAP.

Segment EBITDA

is a non-GAAP measure. The most directly comparable GAAP measure is segment income (loss) from operations. Segment EBITDA is defined as segment income (loss) from operations adjusted for segment depreciation. It should not be considered as segment operating income computed under GAAP.