

Cellu Tissue Holdings, Inc.  
Form DFAN14A  
September 16, 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)

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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.

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- 2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- 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):
  
  
  
  
  
  
  
  
  
  
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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Clearwater Paper Corporation  
Cellu  
Tissue Acquisition Conference Call  
September 16, 2010

1

#### Forward-Looking Statements

Our disclosure and analysis in 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 expected accretion earnings, the estimated amount of annual synergies resulting from the merger, expected combined company annual revenues, the benefits of the proposed transaction 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 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

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 transaction may be delayed or may not occur

difficulties with the integration process or the realization of the benefits expected from the proposed transaction

Clearwater Paper's ability to obtain debt financing to fund the acquisition price

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.

2  
Transaction Overview

Clearwater  
Paper  
has  
agreed  
to  
acquire  
Cellu  
Tissue

Holdings,  
Inc.

Total cash consideration of approximately \$502 million

Price per Cellu  
Tissue share is \$12.00

Approximately  
\$255  
million  
of  
Cellu  
Tissue  
existing  
net  
debt  
to  
be  
retired  
or  
assumed

Transaction to be financed with new debt issuance and existing Clearwater Paper cash

Financing  
commitment  
for  
the  
transaction  
from  
BofA  
Merrill  
Lynch

Transaction expected to close in the fourth quarter of 2010

Closing  
conditions  
include  
Cellu  
Tissue  
shareholder  
approval  
and  
customary  
regulatory  
approvals,  
to  
include Hart-Scott-Rodino



review

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

3

Strategic & Financial Rationale

Acquisition supports strategy to grow the size and scope of Consumer Products segment

Premier national tissue manufacturer and converter of private label tissue products

Combined annual company revenues of approximately \$1.9 billion

Complementary geographical asset locations

National manufacturing footprint with 14 sites in North America

Customer growth and penetration opportunities

Ability to service all tissue quality tiers (ultra, premium, value and economy) as well as away-from-home tissue market

Strong Through-Air-Dried (TAD) growth opportunities driven by Cellu Tissue acquisition as well as recently announced investment in TAD paper machine and converting lines in Shelby, NC

Significant synergy opportunities

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

Immediately accretive to earnings per share before synergies

4
Historical Pro Forma Financial Overview
Cellu
Tissue
Net Sales
Adjusted EBITDA
Adjusted EBITDA Margin
\$524.5
3
\$73.2
4

14.0%

4

\$1,320.9

1

\$165.3

2

12.5%

Last Twelve Months (LTM) US \$ in millions

1,3

Clearwater

Paper

Pro Forma LTM

Combined

(Excluding

Synergies)

\$1,845.4

1

,

3

\$238.5

2

12.9%

Note: Adjusted EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company's earnings. EBITDA, as we define it, is net earnings adjusted for net interest expense, income taxes, depreciation and amortization in accordance with GAAP.

Includes the results of Clearwater Paper for the last twelve months ended June 30, 2010.

Excludes \$94.3 million of alternative fuel mixture tax credit earned during 2009.

Includes the results of Cellu Tissue for the last twelve months ended May 27, 2010.

Amount shown for Cellu Tissue represents EBITDA.

1

2

3

4

5

Pro Forma Revenue Mix Change

Last Twelve Months (LTM)

1,2

Includes the results of Clearwater Paper for the last twelve months ended June 30, 2010.

Includes the results of Cellu Tissue for the last twelve months ended May 27, 2010.

1

2

Percentage of sales from Consumer Products segment increases significantly with Cellu Tissue acquisition.

NY005DC9\_1.WOR

1

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

2

Excludes foam capacity and converting capacity greenfield investment at Oklahoma City, OK.

3

MG stands for machine-glazed paper.

6

Strong Geographic Fit

Clearwater  
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 Capacities <sup>1</sup>  
Clearwater Pulp  
Clearwater Sawmill  
Clearwater SBS  
Cellu  
Tissue  
Tissue/MG  
Hardroll  
<sup>3</sup>  
Clearwater Tissue Converting  
Clearwater Tissue Hardroll  
Cellu  
Tissue Headquarters  
Cellu  
Tissue  
Tissue/MG  
Converting  
<sup>3</sup>  
Clearwater 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

Neenah, WI

Converting Capacity

Menominee, MI

Capacity: 32,000 tons

St. Catharines, ON (TAD)

Capacity: 45,000 tons

Cellu

Tissue Capacities <sup>2</sup>

Tissue Hardroll

247,000 tons

Tissue Converting

182,000 tons

MG Hardroll

85,000 tons

MG Converting

13,000 tons

7  
Customer Relationship Expansion  
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

8

Conservative Pro Forma Capitalization

(\$ in millions)

Note: EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. The n

we

define

it,

is

net

earnings

adjusted

for  
net  
interest  
expense,  
income  
taxes,  
depreciation  
and  
amortization.

See  
Appendix  
A  
for  
a  
reconciliation  
to  
net  
earnings  
in  
accordance  
with  
GAAP.

1  
As  
of  
June  
30,  
2010,  
Clearwater  
Paper  
is  
eligible  
to  
borrow  
under  
the  
credit  
facility  
at  
LIBOR  
plus  
2.75%.  
Availability  
under  
the  
facility  
was  
reduced  
by  
\$1.7

million  
of  
outstanding  
letters  
of  
credit  
as of June 30, 2010.

2  
\$150.0 million face amount.

3  
\$234.5 million face amount.

4  
Excludes  
\$94.3  
million  
of  
alternative  
fuel  
mixture  
tax  
credits  
earned  
during  
2009  
by  
Clearwater  
Paper.  
Amount  
shown  
for  
Cellu  
Tissue  
represents  
EBITDA.

5  
As  
of  
June  
30,  
2010  
for  
Clearwater  
Paper  
and  
May  
27,  
2010  
for  
Cellu  
Tissue.

Clearwater  
 6/30/2010  
 Cellu  
 Tissue  
 5/27/2010  
 Pro Forma  
 5  
 Cash and Short-Term Investments  
 \$333.0  
 \$3.2  
 \$ 126.5  
 Clearwater Revolving Credit Facility  
 -  
 -  
 -  
 Clearwater Senior Unsecured Notes due 2016  
 148.4  
 -  
 148.4  
 Cellu  
 Tissue Revolving Credit Facility  
 -  
 8.0  
 -  
 Cellu  
 Tissue Senior Secured Notes due 2014  
 -  
 227.3  
 -  
 Cellu  
 Tissue City Forest Industrial Revenue Bonds  
 -  
 16.0  
 16.0  
 Clearwater Acquisition Financing  
 -  
 -  
 350.0  
 Total Debt  
 \$148.4  
 \$251.3  
 \$514.4  
 LTM Adjusted EBITDA  
 \$165.3  
 \$73.2  
 \$238.5  
 Liquidity and Credit Statistics  
 Cash and Short-Term Investments  
 \$333.0  
 \$126.5

Available Revolver Amount

113.3

113.3

Total Liquidity

\$446.3

\$239.8

Total Debt/LTM Adjusted EBITDA

4

0.9x

2.2x

1

2

3

1

4



9  
Thank you.

10  
Appendix A:  
US GAAP Reconciliation

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Reconciliation of Non-GAAP to GAAP:

EBITDA

U.S. \$ in millions

Clearwater

Paper

Cellu

Tissue

Pro Forma

LTM

Net Earnings

\$114.3  
 \$0.1  
 \$114.4  
 Income Tax Provision  
 80.7  
 2.8  
 83.5  
 Interest Expense, Net  
 16.9  
 40.6  
 57.5  
 Earnings Before Interest and  
 Income Taxes  
 \$211.9  
 \$43.5  
 \$255.4  
 Depreciation & Amortization  
 47.7  
 29.7  
 77.4  
 EBITDA  
 \$259.6  
 \$73.2  
 \$332.8  
 Adjusted EBITDA  
 \$165.3  
 \$73.2  
 \$238.5  
 2  
 1  
 1,3  
 3

Note: EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. The non-GAAP measure of EBITDA, as we define it, is net earnings adjusted for net interest expense, income taxes, depreciation and amortization.

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Includes the results of Cellu Tissue for the last twelve months ended May 27, 2010.

1  
2  
3