

Cellu Tissue Holdings, Inc.
Form 3
September 24, 2010

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

| | | | | | |
|---|---|---|---|---|---|
| <p>1. Name and Address of Reporting Person *</p> <p>Clearwater Paper Corp</p> <p>(Last) (First) (Middle)</p> <p>601 WEST RIVERSIDE, SUITE 1100</p> <p>(Street)</p> <p>SPOKANE, WA 99201</p> <p>(City) (State) (Zip)</p> | <p>2. Date of Event Requiring Statement</p> <p>(Month/Day/Year)</p> <p>09/15/2010</p> | <p>3. Issuer Name and Ticker or Trading Symbol</p> <p>Cellu Tissue Holdings, Inc. [CLU]</p> | <p>4. Relationship of Reporting Person(s) to Issuer</p> <p>(Check all applicable)</p> <p><input type="checkbox"/> Director <input checked="" type="checkbox"/> 10% Owner <input type="checkbox"/> Officer <input type="checkbox"/> Other (give title below) (specify below)</p> | <p>5. If Amendment, Date Original Filed(Month/Day/Year)</p> | <p>6. Individual or Joint/Group Filing(Check Applicable Line)</p> <p><input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person</p> |
|---|---|---|---|---|---|

Table I - Non-Derivative Securities Beneficially Owned

| 1. Title of Security (Instr. 4) | 2. Amount of Securities Beneficially Owned (Instr. 4) | 3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5) | 4. Nature of Indirect Beneficial Ownership (Instr. 5) |
|------------------------------------|--|---|--|
| Common Stock | 0 <u>(1)</u> <u>(2)</u> <u>(3)</u> <u>(4)</u> <u>(5)</u> | I <u>(1)</u> <u>(2)</u> <u>(3)</u> <u>(4)</u> <u>(5)</u> | See Footnotes <u>(1)</u> <u>(2)</u> <u>(3)</u> <u>(4)</u> <u>(5)</u> |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 4) | 2. Date Exercisable and Expiration Date (Month/Day/Year) | 3. Title and Amount of Securities Underlying Derivative Security (Instr. 4) | 4. Conversion or Exercise Price of Derivative | 5. Ownership Form of Derivative Security: | 6. Nature of Indirect Beneficial Ownership (Instr. 5) |
|---|---|--|---|---|--|
|---|---|--|---|---|--|

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| Date Exercisable | Expiration Date | Title | Amount or Number of Shares | Security | Direct (D) or Indirect (I) (Instr. 5) |
|------------------|-----------------|-------|----------------------------|----------|---------------------------------------|
|------------------|-----------------|-------|----------------------------|----------|---------------------------------------|

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| Clearwater Paper Corp 601 WEST RIVERSIDE, SUITE 1100 SPOKANE, WA 99201 | | X | | |

Signatures

/s/ Michael S. Gadd,
Attorney-in-Fact

09/24/2010

**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) On September 15, 2010, Clearwater Paper Corporation, a Delaware corporation ("Clearwater Paper"), Cellu Tissue Holdings, Inc., a Delaware corporation ("Cellu Tissue"), and Sand Dollar Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Clearwater Paper ("Merger Sub"), entered into that certain Agreement and Plan of Merger, dated as of September 15, 2010 (the "Merger Agreement"), pursuant to which, subject to the satisfaction of certain conditions, Merger Sub will merge with and into Cellu Tissue (the "Merger"). As a result of the Merger, Merger Sub will cease to exist and Cellu Tissue will survive as a wholly-owned subsidiary of Clearwater Paper. (Continued in footnote 2)

(2) Concurrently with the execution of the Merger Agreement, Clearwater, entered into a Voting Agreement, dated as of September 15, 2010 (the "Voting Agreement"), with Weston Presidio V, L.P., Russell C. Taylor, Taylor Investment Partners and Chipping Wood Fund, LLC (collectively, the "Stockholders") pursuant to which each Stockholder has agreed, subject to certain exceptions (including as provided in the following sentence), to vote the shares of Cellu Tissue common stock held by them in favor of the adoption and approval of the Merger Agreement. There are currently a total of 11,267,789 shares of Cellu Tissue common stock covered by the Voting Agreement, which represents approximately 55.8% of the issued and outstanding shares of Cellu Tissue common stock (based on 20,186,892 shares outstanding as of September 14, 2010, as represented by Cellu Tissue in the Merger Agreement). (Continued in footnote 3)

(3) In the event that Clearwater Paper is deemed to be the beneficial owner of the shares covered by the Voting Agreement (which Clearwater Paper disclaims as provide below), then under the terms of the Voting Agreement, the aggregate number of shares covered by the Voting Agreement would be reduced (proportionately for each Stockholder) to an aggregate of 50% of all issued and outstanding shares of Cellu Tissue common stock, or 10,093,446 shares. For additional information regarding the Merger Agreement and the Voting Agreement, please see the Schedule 13D filed by Clearwater Paper with the Securities and Exchange Commission on September 24, 2010. (Continued in footnote 4)

(4) As of the date hereof, Clearwater Paper does not own any shares of Cellu Tissue common stock. However, as a result of Clearwater Paper entering into the Voting Agreement, Clearwater Paper may be deemed to share with each Stockholder the power to vote or to direct the voting of such Stockholder's shares solely with respect to those matters described in the Voting Agreement and, therefore, Clearwater may be deemed to beneficially own within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), greater than 10% of the shares of Cellu common stock outstanding. Clearwater Paper does not have any pecuniary interest in any of the shares covered by the Voting Agreement. (Continued in footnote 5)

(5) Neither the filing of this Form 3 nor any of its contents shall be deemed to constitute an admission by Clearwater Paper that it is the beneficial owner of any of the shares referred to herein for purposes of Section 13(d) or Section 16 of the Exchange Act, or for any other purpose, and such beneficial ownership is expressly disclaimed.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, See Instruction 6 for procedure.

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