

Court File No. 08-CL-7375

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT ("CCAA")
PCL PACKAGING CORPORATION**

**FIFTH REPORT OF THE MONITOR
SUBMITTED BY BDO DUNWOODY LIMITED**

April 24, 2008

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1. Introduction and Background

- 1.1 On January 25, 2008 pursuant to an application made by PCL Packaging Corporation (“PCL” or “the Company”), the Court made an Order (the “Initial Order”) declaring that PCL is a company to which the CCAA applies.
- 1.2 BDO Dunwoody Limited (“BDO”) was appointed Monitor under the Initial Order to take a number of actions including monitoring PCL’s receipts and disbursements, assisting in dissemination of financial information and cash flows and advising on the development of a Plan of Arrangement.
- 1.3 Under the Initial Order, the Court granted, *inter alia*, a Stay of Proceedings against PCL until and including February 23, 2008 (the “Stay Period”).
- 1.4 The Monitor’s First Report dated February 4, 2008 was filed in support of the Company’s motion for the approval of a condensed marketing process. A copy of the Order granted on February 6, 2008 that approved this marketing process (the “Marketing Process Order”) is attached as **Appendix A**.
- 1.5 The Monitor’s Second Report dated February 11, 2008 was filed in support of the Company’s motion for an approval and vesting Order with respect to the sale of its assets located in the leased facility in Saint John, New Brunswick to Inteplast Bags and Films

Corporation ("Inteplast"). A copy of the approval and vesting Order granted on February 14, 2008 (the "Approval and Vesting Order") is attached as **Appendix B**.

1.6 The Monitor's Third Report dated February 19, 2008 was filed in support of the Company's motion for an approval of an extension of the Stay Period to April 30, 2008. A copy of the Order granted on February 21, 2008 that approved this extension (the "Extension Order") is attached as **Appendix C**.

1.7 The Monitor's Fourth Report dated March 14, 2008 was filed in support of the Company's motion for an approval of the Auction Agreement with Asset Engineering Corporation. A copy of the Order granted on March 20, 2008 that approved the Auction Agreement is attached as **Appendix D**.

Purpose of this Report

- 1.8 The purpose of this Fifth Report to the Court is as follows:
- (a) update this Court on the events and the activities of the Company and the Monitor since March 14, 2008, the date of the Monitor's Fourth Report, including the status of the Auction Agreement, the progress of CB Richard Ellis on the sale of the Oakville real estate and the wind down of the Company's operations.
 - (b) discuss the Company's forecasted results for the remainder of the orderly wind down period.

2. Wind down of Operations

A. Results to April 18, 2008

Status of Operations and Cash Flow Results

- 2.1 The Company completed the production phase of its wind down program including the conversion of raw materials and work in process into finished goods during the period March 10 to 31, 2008. At that time, all hourly employees, except shipping personnel and some salaried employees were terminated.
- 2.2 In the following three weeks the staff has concentrated on selling the remaining finished goods, completing shipments, paying post-filing accounts payable, and preparing the plant for shutdown. On April 18, 2008 most of the remaining hourly staff were terminated, and the only remaining salaried functions were plant management, accounts payable, accounts receivable, customer service and sales.
- 2.3 Below is a table summarizing the budget versus actual cashflow analysis for the thirteen week period ended April 18, 2008:

	Projected	Actual	Variance	
	(CDN \$ 000's)	(CDN \$ 000's)	\$	%
Collections				
Oakville	6,549	7,693	1,144	17%
St. John	810	1,312	502	62%
Sale of St. John	1,000	1,759	759	76%
Sale of Oakville	1,900	-	(1,900)	-100%
	<u>10,259</u>	<u>10,764</u>		
Disbursements				
Materials Purchases	1,351	3,340	1,989	147%
Wages & Benefits	1,790	3,091	1,301	73%
Operating Costs	1,684	1,708	24	1%
Broker Commissions/Rebates	1,210	804	(406)	-34%
Professional Fees	795	537	(258)	-32%
Interest & Fees	390	505	116	30%
	<u>7,220</u>	<u>9,985</u>		
Net Change in Cash Position	3,039	778		
Opening Cash Balance	(4,387)	(4,387)		
Closing Cash Balance	<u>(1,348)</u>	<u>(3,609)</u>	(2,261)	168%
Closing Balance:				
Sales	4,798	10,392	5,594	117%
Accounts Receivable	0	2,745	2,744	100%
Inventory	0	571	571	100%

A detailed schedule of the budget versus actual cashflow analysis for the thirteen week period ended April 18, 2008 is attached as **Appendix E**.

2.4 The Company's net ending cash position is \$2,261,000 lower than projected, and accordingly its revolver loan balance with GMAC Commercial Finance ("GMAC") is also higher than the projections. The GMAC revolver loan balance (excluding bank account cash balances of \$384,000, and current drawings of \$88,000) sat at approximately \$4,081,000 as at April 18, 2008. This balance excludes \$700,000 being held in trust by the Monitor (\$600,000 from the Saint John facility sale and \$100,000 regarding the deposit from the Auctioneer, see 2.14).

2.5 Overall collections of accounts receivable for the period were approximately \$1,646,000 higher than expected. The collections have remained strong, in the recent weeks and the aging of accounts receivable has not materially deteriorated in this thirteen week period. Due to the extended production and sales period, high collections are anticipated through to the beginning of May 2008.

2.6 The Company has enjoyed continued support from customers and suppliers. The Monitor has reviewed post-filing customer sales and receivables data on a weekly basis and has found they have surpassed forecasted levels. The sales and customer support staff at PCL have indicated that they have seen no adverse reactions from customers of the Company and most customers are willing to work with the Company to ensure PCL's wind down is a success. The Company has generally been able to make payment arrangements with its suppliers during this CCAA proceeding.

2.7 As a result of the strong continuing operations of the Company at the Oakville plant through April 18, 2008, sales were \$10,392,000 which is approximately \$5,546,000 higher than projected for the period. As a result, material purchases for the period were approximately \$1,989,000 higher than projected.

2.8 As noted in the Fourth Report, PCL's strong sales and continued collections are in part a result of the efforts and support of its sales brokers and buying group customers. The sale brokers act

as middlemen who bring business from the end purchaser to PCL and they earn a commission based on PCL's sales. The buying groups match purchasers with PCL on a volume basis and earn a rebate based on the size of business their group does with PCL. The broker commissions and volume rebates that were required to be paid during the period were approximately \$406,000 less than projected. This was partly a consequence of management's success in negotiating a payment plan with these parties rather than upfront payment of the entire indebtedness in order to ensure their continued support. The Company has been paying its post-filing balances for which it has received accounts, but a timing difference exists as some accounts have not yet been submitted for payment.

2.9 Professional fees paid during the period of \$537,000 were approximately \$258,000 lower than projected. This is partially a timing difference as not all of the accounts of the Monitor and legal counsel for the Monitor and the Company have been rendered and submitted to the Company for payment.

2.10 A wind down bonus of \$388,000, representing a portion of termination and severance costs, was paid during the period. This was negotiated with the Communications, Energy and Paperworkers Union, Local 593 to ensure the hourly workers' support during the 3 week wind down production period.

Oakville Real Estate

2.11 Since the date of the Monitor's last report, March 14, 2008, 19 parties have requested information regarding the land and building offering through the appointed real estate agent CB-Richard Ellis. Of these, 6 have requested and reviewed the environmental reports, and 4 have toured the facility. There are currently 3 interested parties, all of whom specialize in environmentally challenged properties, but none have yet made an offer.

Machinery & Equipment

2.12 Following the 4th Report, Asset Engineering Corporation (the "Auctioneer") paid to the monitor a \$100,000 deposit towards the minimum guaranteed proceeds of the auction, with the remainder due 5 days after the auction date. The Auctioneer took possession of the Oakville premises on April 15, 2008 to begin their 120 day liquidation period. The Auctioneer has scheduled the auction for May 29, 2008. During the time subsequent to March 14, 2008 the Auctioneer has had discussions with several potential en-bloc purchasers of the equipment but has not yet completed a transaction.

Saint John Facility Asset Sale

2.13 The sale of the assets located at the Saint John facility was approved by the Court on February 14, 2008 (refer to Approval and Vesting Order attached as **Appendix B**). The transaction was completed and the closing proceeds paid to the Monitor on February 21, 2008.

2.14 The sale price totaled \$2,809,402.68 of which \$450,000 is to be held as an Escrow Amount to fund potential claims for employee severance pay, broker's commissions, customer volume rebates and other amounts. Any unused portion of the Escrow Amount will be available to the Company 185 days after the closing date.

2.15 At the request of the Company and GMAC and with the consent of the Company, the Monitor released \$1,759,402.68 of the sale proceeds to GMAC on March 7, 2008. At that time GMAC had secured loans of \$7.5 million. This interim distribution was made pursuant to the terms of a Reimbursement Agreement. Essentially the Reimbursement Agreement requires GMAC to return these funds to the Monitor in the event that the Ontario Superior Court of Justice makes an Order requiring them to do so due to a valid priority claim.

2.16 At the request of PCL and with the consent of GMAC the \$600,000 balance of the sale proceeds is being held by the Monitor.

B. Forecast to July 4, 2008

2.17 The Company anticipates that a further 11 weeks will be required to collect all outstanding accounts receivable and complete the auction of equipment. It is anticipated that at July 4, 2008 the remaining significant tasks for the Company would be to complete the sale of the land and building and monitor the use of the Escrow Amount of \$450,000 from the sale of the Saint John Facility.

2.18 Below is a table summarizing the budgeted cashflow results for the 11 week period from April 25 to July 4, 2008:

**PCL PACKAGING CORPORATION
CONDENSED 11 WEEK CASHFLOW**

	Projected April 25 to July 4, 2008
Collections	
Accounts Receivable - Oakville	2,435
Auction Proceeds	720
Sale of St. John - Monitor's Trust	600
	3,755
 Disbursements	
Materials Purchases	-
Wages & Benefits	100
Operating Costs	327
Broker Commissions/Rebates	205
Professional Fees	187
Interest & Principal payments	354
	1,173
Net Change in Cash Position	2,582
Opening Cash Balance	(3,609)
Closing Cash Balance	(1,027)

2.19 Company management is of the view that by April 30, 2008 all saleable finished goods will be sold, at which point all remaining inventory on hand should be sold for scrap value.

2.20 Collections over the 11 weeks are anticipated to total \$2,435,000 as some outstanding receivables will be offset by outstanding credits and volume rebates.

2.21 The Company expects to terminate most of the remaining salaried employees by April 30, 2008, leaving only the accounts payable and accounts receivable functions in place. Accounts payable would only be required on a part-time basis to ensure the Company is up to date on its post-filing obligations. The accounts receivable function would continue until collections are substantially complete, which is anticipated to be about May 30, 2008.

2.22 The Company has determined the post-filing broker commissions and volume rebates earned and is arranging payment thereof. The only remaining post-filing obligations to be paid will be for April 2008, and are expected to be minimal compared to previous months, at only \$65,000 in total.

2.23 The Company expects no further charges for distribution as they appear to still have credits on hand with their transportation suppliers.

2.24 After April 30, 2008 when most functions of the Company other than collections are completed, it is expected that the carrying costs of the Oakville facility will be reduced to a minimal level, with only routine maintenance and some utilities required.

2.25 The Monitor's professional fees expected to be incurred during the extended period to July 4, 2008 are expected to be diminished as less time will be needed to monitor the Company in

this phase of the wind down. The requirement for legal counsel during the period is also expected to decline.

2.26 The Company will continue to make interest and principal payments against its GMAC loans on a regular basis, in accordance with the Initial Order.

3. Summary and Recommendation

3.1 The foregoing summarizes the activities of the Company and the Monitor from the date of the Monitor's Fourth Report, March 14, 2008.

3.2 The Monitor is of the view that the Company is acting in good faith and diligence. Further, the remaining employees are best equipped to manage the remainder of the wind down process.

3.3 To the extent possible, PCL will continue the orderly wind down of the operations at the Oakville facility to maximize the recoveries for the creditors. Therefore, the Monitor supports the Company's application for an extension of the stay period to July 4, 2008. It is anticipated that the proceeds of this wind down and the net proceeds from the sale of the real estate will not result in a recovery for unsecured creditors.

All of which is respectfully submitted this 24th day of April, 2008.

BDO DUNWOODY LIMITED
Monitor in the CCAA of
PCL Packaging Corporation
Per:

A handwritten signature in black ink, appearing to read 'B. Davidson', with a long horizontal flourish extending to the right.

Blair F. Davidson, CA, CIRP, CBV
Senior Vice President



Court File No. 08-CL-7375

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)
JUSTICE MORAWETZ)
) WEDNESDAY, THE SIXTH DAY
) OF FEBRUARY, 2008

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PCL PACKAGING CORPORATION,

ORDER

THIS MOTION, made by PCL Packaging Corporation (the "Applicant") for an order approving the Marketing Process (as defined in the first report of BDO Dunwoody Limited, in its capacity as monitor of the Applicant (the "Monitor") dated February 4, 2008 (the "First Report")), was heard this day at 330 University Avenue, Toronto, Ontario.


ON READING the affidavit of Ian Bell and the First Report and on hearing the submissions of counsel for the Applicant, counsel for GMAC Commercial Finance Corporation and counsel for the Monitor, no one appearing for any other person on the service list:

1. THIS COURT ORDERS that the Marketing Process is approved and that the Applicant, with the assistance of and in consultation with the Monitor, is authorized and directed to carry out and conduct the Marketing Process as described in the First Report and to take such actions as are required to complete the Marketing Process.

2. THIS COURT ORDERS that following completion of the Marketing Process, the Applicant shall return to this Court for approval of any sale.

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2020

A handwritten signature in black ink, appearing to be "A. J. [unclear]", written below the date.

IN THE MATTER OF the Companies' Creditors Arrangement Act, R.S.C., 1985, c. C-36, as amended

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCL PACKAGING CORPORATION

(Short title of proceeding)

Court File No. 08-CL-7375

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

ORDER

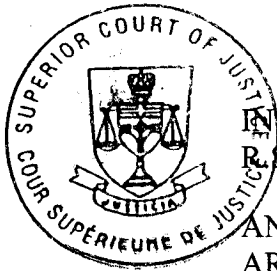
McMILLAN BINCH MENDELSON LLP
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Solicitors for the Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM) THURSDAY, THE FOURTEENTH
)
JUSTICE HOY) DAY OF FEBRUARY, 2008



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PCL PACKAGING CORPORATION,

ORDER

THIS MOTION, made by PCL Packaging Corporation (the "Applicant") for an order approving the sale transaction (the "Transaction") contemplated by an agreement of purchase and sale between the Applicant and Inteplast Bags and Films Corporation (the "Purchaser") made as of February 8, 2008, as amended by an Amending Agreement dated as of February 13, 2008 (the "Sale Agreement"), and vesting in the Purchaser the Applicant's right, title and interest in and to the assets described in the Sale Agreement (the "Purchased Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Ian Bell and the Second Report of BDO Dunwoody Limited, in its capacity as monitor of the Applicant (the "Monitor") dated February 11, 2008 (the "Second Report") and on hearing the submissions of counsel for the Applicant, counsel for GMAC Commercial Finance Corporation and counsel for the Monitor, no one appearing for any other person on the service list, although properly served as appears from the affidavit of Michelle Bonk sworn February 11, 2008 filed:

SERVICE

1. THIS COURT ORDERS AND DECLARES that all parties requiring service of the Notice of Motion and the Motion Record in respect of this motion have been duly served, and that further service of such materials upon all interested parties be and is hereby dispensed with and the service of such materials be and is hereby validated in all respects.

APPROVAL AND VESTING

2. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved. The execution of the Sale Agreement by the Applicant is hereby authorized and approved, and the Applicant is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

3. THIS COURT ORDERS AND DECLARES that upon the delivery of a Monitor's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "Monitor's Certificate"), all of the Applicant's right, title and interest in and to the Purchased Assets described in the Sale Agreement shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Colin Campbell dated January 25, 2008; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or the *Personal Property Security Act* (New Brunswick) or any other personal property registry system; and (iii) those Claims listed on Schedule B hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule C) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

4. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

6. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Applicant is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Applicant's records pertaining to the Applicant's past and current employees, including personal information of those employees listed on Schedule "3.2(a)" to the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Applicant.

7. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act (Canada)* in respect of the Applicant and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Applicant;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under

the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

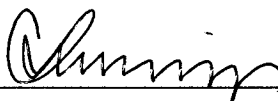
8. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Monitor and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Monitor and its agents in carrying out the terms of this Order.

10. THIS COURT ORDERS that Appendices C, D and E of the Second Report be sealed and not form part of the public record until the filing of the Monitor's Certificate.

APPROVAL OF MONITOR'S ACTIVITIES

11. THIS COURT ORDERS that the Second Report and all of the activities of the Monitor described therein be and they are hereby approved.



Christina Irwin
Registrar, Superior Court of Justice

FILED 14 JUL 2015

REGISTERED 

Schedule A – Form of Monitor’s Certificate

Court File No. 08-CL-7375

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PCL PACKAGING CORPORATION

MONITOR’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (the "Court") dated January 25, 2008, BDO Dunwoody Limited was appointed as the Monitor (the "Monitor") of PCL Packaging Corporation (the "Applicant").

B. Pursuant to an Order of the Court dated February 15, 2008, the Court approved the agreement of purchase and sale made as of February 8, 2008 (the "Sale Agreement") between the Applicant and Inteplast Bags and Films Corporation (the "Purchaser") and provided for the vesting in the Purchaser of the Applicant’s right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in Article X and Article XI of the Sale Agreement have been satisfied or waived by the Applicant and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Monitor has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in Article X and Article XI of the Sale Agreement have been satisfied or waived by the Applicant and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at _____ [TIME] on _____ [DATE].

**BDO Dunwoody Limited, in its capacity as
Monitor of PCL Packaging Corporation, and
not in its personal capacity**

Per: _____
Name:
Title:

Schedule B

Encumbrances to be Vested Out

- 1) Registration number 10308286, file number 11859 in the New Brunswick Personal Property Registry, as amended by registration number 10308344, expiring October 23, 2008, in favour of 2032599 Ontario Inc.
- 2) Registration number 12676292 in the New Brunswick Personal Property Registry, expiring September 1, 2008, in favour of 2032599 Ontario Inc.
- 3) Registration number 12676334 in the New Brunswick Personal Property Registry, expiring September 1, 2008, in favour of 1070155 Ontario Limited.
- 4) Registration number 12676359 in the New Brunswick Personal Property Registry, expiring September 1, 2008, in favour of Swinco Enterprises Inc.
- 5) Registration number 13160015 in the New Brunswick Personal Property Registry, expiring January 27, 2010, in favour GMAC Commercial Finance Corporation – Canada.
- 6) Ontario PPSA registration number 20031010 1047 1529 1801, file number 600153093, expiring October 10, 2008, in favour of 2032599 Ontario Inc.
- 7) Ontario PPSA registration number 20031015 1052 1529 3813, assigning file number 600153093 to The Toronto-Dominion Bank.
- 8) Ontario PPSA registration number 20060210 1550 1793 1739, assigning file number 600153093 to 2032599 Ontario Inc.
- 9) Ontario PPSA registration number 20050831 1609 1590 3411, file number 618465042, expiring August 31, 2008, in favour of 2032599 Ontario Inc.
- 10) Ontario PPSA registration number 20051208 1053 1529 2129, assigning file number 618465042 to The Toronto-Dominion Bank.
- 11) Ontario PPSA registration number 20060210 1548 1793 1738, assigning file number 618465042 to 2032599 Ontario Inc.
- 12) Ontario PPSA registration number 20050831 1615 1590 3416, file number 618465141, expiring August 31, 2008, in favour of 1070155 Ontario Limited.
- 13) Ontario PPSA registration number 20050831 1615 1590 3417, file number 618465159, expiring August 31, 2008, in favour of Swinco Enterprises Inc.
- 14) Ontario PPSA registration number 20060126 1649 1793 1357, file number 622292481, expiring January 26, 2010, in favour of GMAC Commercial Finance Corporation – Canada.

- 15) Ontario PPSA registration number 20060131 1658 1793 1469, amending file number 622292481.
- 16) Ontario PPSA registration number 20060510 1711 1462 2956, file number 625076766, expiring May 10, 2011, in favour of CBSC Capital Inc.
- 17) Ontario PPSA registration number 20060622 1040 8077 0803, file number 626392971, expiring June 22, 2009, in favour of MCAP Leasing Inc.

Schedule C

Permitted Encumbrances

None.

IN THE MATTER OF the Companies' Creditors Arrangement Act, R.S.C., 1985, c. C-36, as amended

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCL PACKAGING CORPORATION

(Short title of proceeding)

Court File No. 08-CL-7375

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

ORDER

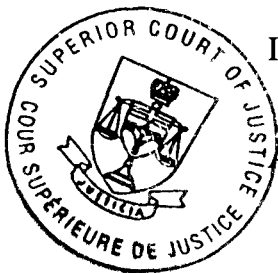
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Solicitors for the Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM) THURSDAY, THE TWENTY-FIRST
)
JUSTICE HOY) DAY OF FEBRUARY, 2008



IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PCL PACKAGING CORPORATION

ORDER

THIS MOTION, made by PCL Packaging Corporation (“PCL”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Third Report of BDO Dunwoody Limited, in its capacity as Monitor of PCL (the “Monitor”), dated February 19, 2008 (the “Third Report”) and on hearing the submissions of counsel for PCL, GMAC and the Monitor,

SERVICE

1. THIS COURT ORDERS AND DECLARES that the Notice of Motion and the Motion Record in respect of this motion have been duly served and that further service of such materials on all interested parties is hereby dispensed with and the service of such materials be and is hereby validated in all respects.

KEY EMPLOYEE RETENTION PROGRAM

2. THIS COURT ORDERS that PCL may, with the prior consent of the Monitor, enter into key employee retention arrangements (the "KERP Arrangements") with key employees, the aggregate amount of which KERP Arrangements shall not exceed \$100,000.


3. THIS COURT ORDERS that the beneficiaries of the KERP Arrangements shall be entitled to the benefits of the Administrative Charge established pursuant to the Initial Order of the Honourable Mr. Justice Colin Campbell in these proceedings as security for PCL's obligations under the KERP Arrangements and that the maximum aggregate amount of the Administrative Charge shall accordingly be increased from \$500,000 to \$600,000.

EXTENSION OF STAY PERIOD

4. THIS COURT ORDERS that the Stay Period referred to in paragraph 14 of the Initial Order be and the same is hereby extended until April 30, 2008 or such later date as this Court may order.

APPROVAL OF MONITOR'S ACTIVITIES

5. THIS COURT ORDERS that the Third Report and all of the activities of the Monitor described therein be and they are hereby approved.



Registrar, Superior Court of Justice

FEB 21 2008

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PREPARE

IN THE MATTER OF the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCL PACKAGING CORPORATION

(Short title of proceeding)

Court File No. 08-CL-7375

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

ORDER

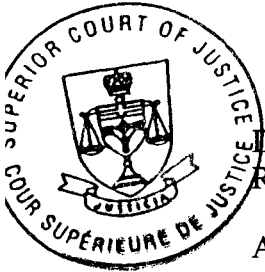
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Solicitors for the Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	THURSDAY, THE TWENTIETH
)	
JUSTICE WILTON-SIEGEL)	DAY OF MARCH, 2008



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PCL PACKAGING CORPORATION,

ORDER

THIS MOTION, made by PCL Packaging Corporation (the "Applicant") for an order approving the transactions (the "Transactions") contemplated by the Auction Services Agreement between the Applicant and Asset Engineering Corporation (the "Auctioneer") made as of March 14, 2008 (the "Auction Agreement"), and vesting in the purchasers of the Applicant's right, title and interest in and to the assets described in the Auction Agreement (the "Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Ian Bell and the Fourth Report of BDO Dunwoody Limited, in its capacity as monitor of the Applicant (the "Monitor") dated March 14, 2008 (the "Fourth Report") and on hearing the submissions of counsel for the Applicant, counsel for GMAC Commercial Finance Corporation and counsel for the Monitor, no one appearing for any other person on the service list, although properly served as appears from the affidavits of May Carlos sworn March 17, 2008 filed:

SERVICE

1. THIS COURT ORDERS AND DECLARES that the Notice of Motion and the Motion Record in respect of this motion have been duly served, and that further service of such materials

upon all interested parties be and is hereby dispensed with and the service of such materials be and is hereby validated in all respects.

APPROVAL OF MONITOR'S ACTIVITIES

2. THIS COURT ORDERS that the Fourth Report and all of the activities of the Monitor described therein be and they are hereby approved.

APPROVAL OF AUCTION AGREEMENT

3. THIS COURT ORDERS AND DECLARES that the Transactions are hereby approved. The execution of the Auction Agreement by the Applicant is hereby authorized and approved, and the Applicant is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transactions and for the conveyance of the Assets to the purchasers (collectively, the "Purchasers") in accordance with the Auction Agreement.

4. THIS COURT ORDERS AND DECLARES that upon the Auctioneer completing the sale of any of the Assets to a Purchaser, in accordance with the terms of the Auction Agreement, and delivering a bill of sale to such Purchaser (the "Bill of Sale"), all of the Applicant's right, title and interest in and to the Assets described in such Bill of Sale shall vest absolutely in such Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Colin Campbell dated January 25, 2008; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on Schedule A hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule B) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Assets are hereby expunged and discharged as against the Assets.

5. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Assets shall stand in the place and stead of the Assets, and that from and after the completion of any Bill of Sale all Claims and Encumbrances shall attach to the net proceeds from the sale of the Assets described in such Bill of Sale with the same priority as they had with respect to such Assets immediately prior to the sale, as if such Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

6. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Applicant;

the vesting of the Assets in the Purchasers pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. THIS COURT ORDERS AND DECLARES that the Transactions are exempt from the application of the *Bulk Sales Act* (Ontario).

8. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Monitor and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this

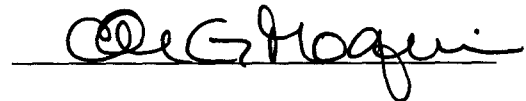
Court, as may be necessary or desirable to give effect to this Order or to assist the Monitor and its agents in carrying out the terms of this Order.

TEMPORARY SEALING OF UNREDACTED AUCTION AGREEMENT

9. THIS COURT ORDERS that the unredacted version of the Auction Agreement, together with Appendix H of the Fourth Report shall be sealed until the transactions contemplated by the Auction Agreement have been completed or further Order of this Honourable Court.


KEY EMPLOYEE RETENTION PROGRAM

10. THIS COURT ORDERS that the maximum amount of the KERP Arrangements approved in the Order of the Honourable Madam Justice Hoy made in these proceedings on February 21, 2008 be increased from \$100,000 to \$115,000 and that the maximum aggregate amount of the Administrative Charge shall accordingly be increased from \$600,000 to \$615,000.



**E.M.G. Moquin,
Registrar, Superior Court of Justice**

MAR 25 2008

REH/PAR 

Schedule A

Encumbrances to be Vested Out

- 1) Ontario PPSA registration number 20031010 1047 1529 1801, file number 600153093, expiring October 10, 2008, in favour of 2032599 Ontario Inc.
- 2) Ontario PPSA registration number 20031015 1052 1529 3813, assigning file number 600153093 to The Toronto-Dominion Bank.
- 3) Ontario PPSA registration number 20060210 1550 1793 1739, assigning file number 600153093 to 2032599 Ontario Inc.
- 4) Ontario PPSA registration number 20050831 1609 1590 3411, file number 618465042, expiring August 31, 2008, in favour of 2032599 Ontario Inc.
- 5) Ontario PPSA registration number 20051208 1053 1529 2129, assigning file number 618465042 to The Toronto-Dominion Bank.
- 6) Ontario PPSA registration number 20060210 1548 1793 1738, assigning file number 618465042 to 2032599 Ontario Inc.
- 7) Ontario PPSA registration number 20050831 1615 1590 3416, file number 618465141, expiring August 31, 2008, in favour of 1070155 Ontario Limited.
- 8) Ontario PPSA registration number 20050831 1615 1590 3417, file number 618465159, expiring August 31, 2008, in favour of Swinco Enterprises Inc.
- 9) Ontario PPSA registration number 20060126 1649 1793 1357, file number 622292481, expiring January 26, 2010, in favour of GMAC Commercial Finance Corporation – Canada.
- 10) Ontario PPSA registration number 20060131 1658 1793 1469, amending file number 622292481.
- 11) Ontario PPSA registration number 20060510 1711 1462 2956, file number 625076766, expiring May 10, 2011, in favour of CBSC Capital Inc.
- 12) Ontario PPSA registration number 20060622 1040 8077 0803, file number 626392971, expiring June 22, 2009, in favour of MCAP Leasing Inc.

Schedule B
Permitted Encumbrances

None.

IN THE MATTER OF the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended

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Solicitors for the Applicant

PCL PACKAGING CORPORATION
COMPARISON OF ACTUAL TO PROJECTED CASH FLOW
For the 13 Weeks Ending April 18, 2008

	Projected 18-Apr-08	Actual 18-Apr-08	\$ Variance	% Variance
Accounts Receivable Collections - Oakville	6,549	7,693	1,144	17%
Accounts Receivable Collections - St John	810	1,312	502	62%
Sale of St John Plant	1,900	1,759	(141)	-7%
Sale of Oakville Equipment	1,000	-	(1,000)	-100%
Sale of Oakville Inventory	-	-	-	0%
Scrap Value	-	-	-	0%
Total Collections	10,259	10,764		
Material Purchases -				
Oakville	(893)	(2,400)	(1,507)	169%
St John	(458)	(940)	(482)	105%
Payroll and Related Benefits				
Oakville	(780)	(1,576)	(796)	102%
Oakville - Salary	(150)	(298)	(148)	99%
Oakville - Corp	(60)	(119)	(59)	98%
St John	(250)	(408)	(158)	63%
Retention Bonus	(100)	(70)	30	-30%
Provision for Termination & Severance	-	(388)	(388)	100%
2007 Unpaid Vacation Pay - St John	(150)	-	150	-100%
2007 Unpaid Vacation Pay - Oakville	(300)	(232)	68	-23%
Utilities				
Oakville	(420)	(289)	131	-31%
St John	(50)	-	50	-100%
Property Taxes				
Oakville	(40)	(41)	(1)	3%
St John	(6)	-	6	-100%
Broker Commissions/Rebates				
Oakville	(1,210)	(804)	406	-34%
St John	-	-	-	0%
St. John Rent	-	(36)	(36)	100%
Warehousing	(208)	(132)	76	-37%
Distribution	(440)	(607)	(167)	38%
Maintenance and Other	(385)	(444)	(59)	15%
Insurance	(60)	(137)	(77)	128%
Priority Payables	(75)	(81)	(6)	8%
Professional Fees	(795)	(537)	258	-32%
Foreign Exchange	-	59	59	100%
Interest and Term Loan Service	(295)	(390)	(94)	32%
Operating Line - Interest and Fees	(95)	(116)	(21)	23%
Total Disbursements	(7,220)	(9,985)		
Net Change in Cash Position	3,039	778		
Cash - Beginning Balance	(4,387)	(4,387)		
Cash - Ending Balance	(1,348)	(3,609)		

Note 1 Accounts Receivable Rollforward

Accounts Receivable - Opening Balance	3,935	3,935		
Add :				
Gross Sales - Oakville	4,208	8,329	4,121	98%
Gross Sales - St John	590	2,064	1,474	250%
Less :				
Collections - Oakville	(6,549)	(7,693)	(1,144)	17%
Collections - St John	(810)	(1,312)	(502)	62%
Writeoff - Oakville	(370)	-	370	-100%
Adjustment to Actual	-	(1,055)	(1,055)	100%
Sale of St John A/R	(1,004)	(1,523)	(519)	52%
AR Ending Balance	(0)	2,745		

Note 2 Inventory Rollforward

Inventory - Opening Balance	4,080	4,080		
Add :				
Purchases - Oakville	893	2,400	1,507	169%
Purchases - St John	458	940	482	105%
Add: Inventory in Transit	-	-		
Less :				
Estimate COGS Margin - Oakville	(3,265)	(6,651)	(3,386)	104%
Estimate COGS Margin - St John	(458)	(1,391)	(934)	204%
St John Sale	(774)	(1,034)	(260)	34%
Writeoff of St John Inventory	(278)	-	278	-100%

Writeoff of Raw Materials	(657)	-	657	-100%
Writeoff of Finished Goods	-	-	-	0%
Adjustment to Actual	-	2,227	2,227	100%
Inventory - Ending Balance	(0)	571		
Cdn to US Fx Rate Utilized	1	1		

Note 3 Bank Balance - Term Loan

Opening Balance	1,795	1,795	-	0%
Interest	31	25	(6)	-19%
Payments	(264)	(264)	-	0%
Interest Payments	(31)	(25)	6	-19%
Ending Balance	1,531	1,531		
Interest Rate	7.5%	7.5%		

Margin Analysis:

			Per BBC
Accounts receivable	(0)	2,745	2,745
Less: Estimate ineligible	-	551	551
Net	(0)	2,194	2,194
Advance rate	85%	85%	85%
Borrowing Base Availability	(0)	1,865	1,865
		-	
Inventory	(0)	571	571
Less: Estimated ineligible	-	324	324
Net	(0)	247	247
Advance Rate	57%	57%	57%
Borrowing Base	(0)	141	142
		-	
Total Borrowing Base	(0)	2,009	2,009
Add: PCL Adjustment	(0)	-	-
Other Reserves	1,400	1,371	1,371
Net Borrowing Base	(1,400)	638	638
		-	
Revoling Loan Balance	(1,348)	(3,609)	(4,081)
		-	
Excess (Shortfall) Availability	(2,748)	(2,971)	(3,443)

PCL Packaging Corporation
Six Week Winddown (3 Week Production)
For The 11 Week Period Ended July 4, 2008
(CDN\$ '000)

	Reference	Assumption	W/E 25-Apr (\$Cdn)	W/E 02-May (\$Cdn)	W/E 09-May (\$Cdn)	W/E 16-May (\$Cdn)	W/E 23-May (\$Cdn)	W/E 30-May	W/E 06-Jun	W/E 13-Jun	W/E 20-Jun	W/E 27-Jun	W/E 04-Jul	Total 11 WK (\$Cdn)
Add: Inventory in Transit			-	-	-	-	-							-
Less : Estimate COGS Margin - Oakville	82.00%	1	(82)	(82)	-	-	-							(164)
Writeoff of Raw Materials		5			(565)									(565)
Adjustment to Actual														-
Inventory - Ending Balance			647	565	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Cdn to US Fx Rate Utilized			1.0	1.0	1.0	1.0	1.0							

Note 3 Bank Balance - Term Loan

Opening Balance			1531	1531	1443	1443	1443	1443	1443	1355	1355	1355	1355	1531
Interest			-	10	-	-	-	-	10	-	-	-	10	30
Payments				(88)					(88)				(88)	(264)
Interest Payments				(10)					(10)				(10)	(30)
Ending Balance			1531	1443	1443	1443	1443	1443	1355	1355	1355	1355	1267	1267
Interest Rate			7.5%	7.5%	7.5%	7.5%	7.5%							

Margin Analysis:

Accounts receivable			2,256	1,870	1,477	1,158	900	690	521	(0)	(0)	(0)	(0)	
Less: Estimate ineligible			138	69	34	-	-	-	-	-	-	-	-	
Net			2,119	1,801	1,442	1,158	900	690	521	(0)	(0)	(0)	(0)	
Advance rate			85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	
Borrowing Base Availability			1,801	1,531	1,226	984	765	587	443	(0)	(0)	(0)	(0)	
Inventory			647	565	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Less: Estimated ineligible			81	41	20	-	-	-	-	-	-	-	-	
Net			566	524	(21)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Advance Rate			57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	
Borrowing Base			324	300	(12)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Total Borrowing Base			2,125	1,832	1,214	984	764	587	442	(0)	(0)	(0)	(0)	
Add: PCL Adjustment														
Other Reserves			1,371	1,371	1,371	1,371	1,371	1,371	1,371	1,371	1,371	1,371	1,371	
Net Borrowing Base			754	461	(157)	(387)	(607)	(784)	(929)	(1,371)	(1,371)	(1,371)	(1,371)	
Revolving Loan Balance			(3,427)	(3,124)	(2,824)	(2,512)	(2,386)	(2,182)	(1,431)	(836)	(861)	(881)	(1,027)	
Excess (Shortfall) Availability			(2,673)	(2,663)	(2,981)	(2,900)	(2,993)	(2,966)	(2,359)	(2,207)	(2,232)	(2,252)	(2,398)	