

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**

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

March 14, 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 Intoplast 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**.

Purpose of this Report

1.7 The purpose of this Fourth Report to the Court is as follows:

- (a) update this Court on the events and the activities of the Company and the Monitor since February 19, 2008, the date of the Monitor’s Third Report including the successful completion of the sale of assets of the St John facility to Inteplast;
- (b) discuss the results of the Company’s sales process, and the Monitor’s recommendation for the approval of an auction agreement with Asset Engineering Limited;
- (c) discuss the Company’s winddown plan as a result of the lack of going-concern offers from the sales process.

2. Company's Results of Operations and the St John Facility Asset Sale

Status of Operations and Cash Flow Results

2.1 Since the date of the Monitor's last report, February 19, 2008, PCL's Oakville operations have continued at roughly the same levels of production as it did before the CCAA filing. This is a consequence of continued customer demand for product and an effort to maintain a going-concern business during the sales process.

2.2 Below is a table summarizing the budget versus actual cashflow analysis for the first seven week period ended March 7, 2008:

	Projected (CDN\$ 000's)	Actual (CDN\$ 000's)	Variance	
			(\$)	(%)
Total Collections	\$ 8,596	\$ 7,142	(1,454)	-17%
Total Disbursements	6,453	6,882	(429)	-7%
Net Change in Cash Position	2,143	259	(1,884)	-88%
Cash - Beginning Balance	4,387	4,387		
Cash - Ending Balance	\$ 2,244	\$ 4,128		

A detailed schedule of the budget versus actual cashflow analysis for the seven week period ended March 7, 2008 is attached as **Appendix D**.

2.3 The Company's net ending cash position is \$1,884,000 lower than projected, and accordingly its revolver loan balance with

GMAC is also higher than the projections. The GMAC revolver loan balance (excluding bank account cash balances of \$42,000) sat at approximately \$4,170,000 as at March 7, 2008, however the projected margin shortfall is approximately \$1,095,000 better than projected. This is due to higher than forecasted accounts receivable by \$2,426,000 and inventory balances by \$2,378,000. The timing of the winddown was delayed through the sales process which in turn resulted in higher loan balances but corresponding higher collateral levels.

2.4 Overall collections for the period were approximately \$1,454,000 lower than expected and the Monitor has spoken with PCL's management regarding this variance. Management has advised the Monitor that it does not believe this is a sign of weakening support. Management has advised that the timing of collections can vary greatly from week to week and management believes the variance is just a timing difference and that the amounts will still be collected. The aging of accounts receivable has not materially deteriorated in this seven week period.

2.5 The Company has enjoyed continued support from customers and suppliers. There was some reduction in sales volumes prior to the CCAA filing on January 25, 2008 due to the loss of two significant customers. 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 restructuring is a success. The Company has generally been able to make payment arrangements with its suppliers during this CCAA proceeding.

2.6 As a result of the strong continuing operations of the Company at both the Oakville and Saint John plants, sales were approximately \$2,178,000 higher than projected for the period. As a result, inventory material purchases for the period were approximately \$1,862,000 higher than projected.

2.7 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 \$662,000 less than projected. This was 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. Post-filing balances are forecasted to be paid in the coming weeks.

2.8 In the course of making successful arrangements with suppliers at the outset of these CCAA proceedings necessary for

certain special payments which the Monitor approved in advance as being reasonable and in accordance with normal CCAA practices in an aggregate amount of less than \$145,000.

2.9 Professional fees paid during the period were approximately \$420,000 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 not been rendered and submitted to the Company for payment.

2.10 Insurance expense was \$97,000 higher than projected during the period as a consequence of a requirement by PCL's insurance company for the Company to pay the full year's premium upfront rather than in installments of \$20,000 per month as had been projected.

St John Facility Asset Sale

2.11 The sale of the assets located at the St 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. A copy of the Monitor's certificate is attached as **Appendix E** along with the Schedule of Closing Adjustments.

2.12 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 and customer volume rebates.

Any unused portion of the Escrow Amount will be available to the Company 185 days after the closing date.

2.13 At the request of the Company and GMAC Commercial Finance ("GMAC"), 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 done pursuant to the terms of a Reimbursement Agreement a copy of which is attached as **Appendix F**. 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.

2.14 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 to effectively secure the Administration Charge.

3. Results of PCL Sales Process

3.1 The marketing process as outlined in the Monitor's First Report and approved by this Court, contemplated that PCL would, with assistance of and in consultation with the Monitor, solicit offers from a target list and other identified parties, advertise the sale in the newspaper and prepare an information package for a sale process to be run in a condensed time frame of three weeks.

3.2 The target list consisted of approximately forty parties who were already in the flexible packaging business, but also included approximately ten liquidators, in the event that an orderly wind-down became the only viable option. A “teaser” or “tickler” letter was emailed to the parties on the target list, and telephone calls to potentially interested parties were made by the Monitor.

3.3 An advertisement in The Globe & Mail (National Edition) was prepared by the Monitor, approved by the Company and ran on Tuesday, February 12, 2008 and Thursday, February 14, 2008.

3.4 Interested parties were directed to a website (www.bdo.ca/pcl/sale.cfm) that was created by the Monitor (the “Sale Process Website”), where they registered for the sale process and received a Letter of Acknowledgment and Undertaking of Confidentiality (“Confidentiality Agreement”) to be executed and returned to the Company, care of the Monitor.

3.5 Following registration on the website and execution and return of the Confidentiality Agreement, the interested parties were granted access to a virtual data room at the Sale Process Website. In the virtual data room, the interested party was able to view and/or download a copy of the Confidential Information Memorandum (the “CIM”) and other confidential information, prepared and assembled in cooperation with the Company.

3.6 The deadline for submission of offers was no later than 5:00 p.m. Toronto, Ontario time on Wednesday, February 27, 2008.

3.7 In order to ensure the integrity of the sale process and with the agreement of the Company, all offers were submitted to PCL care of the Monitor's address.

3.8 The following are statistics with respect to the marketing process:

- 50 teaser letters were emailed to parties on the target list;
- 17 parties registered on the Sale Process Website and executed the Confidentiality Agreement;
- 8 parties attended the Company's premises to inspect the assets of which 5 were liquidators.

3.9 A summary of the offers or expressions of interest received is provided below:

Strategic Buyers:

1. *Alte - Rego* - offered \$250,000 for selected machinery related to the production of garbage bags and 80% of cost on retail garbage bag inventory (book value approximately \$430,000);
2. *Pliant Corporation* - letter of interest for \$2,000,000 for all assets subject to numerous conditions including additional time for due diligence to March 31, 2008;

3. *Inteplast* - offered \$78,000 for five specific pieces of equipment;
4. *Great Eastern Acquisition Corp.* - letter of interest for \$6,000,000 for accounts receivable, inventory, machinery and equipment and the real estate; offer was conditional on due diligence and financing.

Liquidators of Machinery and Equipment:

1. *Asset Engineering* - minimum net guarantee ("MNG") of \$720,900 plus 85% of auction proceeds over \$820,900;
2. *SBG Capital* - MNG of \$630,000 plus 50% of auction proceeds between \$695,000 and \$735,000 plus 80% of proceeds between \$735,000 and \$900,000 plus 90% of proceeds over \$900,000;
3. *Maynards* - MNG of \$510,000 plus 85% of auction proceeds over \$600,000;
4. *Danbury* - MNG of \$410,000 plus 80% of auction proceeds over \$510,000.

3.10 The Company has determined none of the offers or letters of interest from the strategic buyers were going to result in a going - concern sale with an acceptable outcome for the creditors. Current balances for accounts receivable are approximately \$2.7 million and inventory approximately \$2.9 million. In addition to the machinery and equipment, PCL owns the 100,000 square foot building and 6.6

acres of land thereon. The real estate is listed for sale with CB Richard Ellis at \$5.7 million.

3.11 The Company has determined that Asset Engineering Corporation (“AEC”) provided the best of the proposals from the liquidators. The details of this arrangement were negotiated and resulted in the Auction Agreement dated March 14, 2008 attached as **Appendix G**. The Monitor is satisfied that the terms and conditions contained therein are typical of auction arrangements and reasonable in the circumstances.

3.12 The Company is of the view, and the Monitor agrees, that an orderly winddown of operations including conversion of raw materials and work-in-progress inventory, sale of finished goods inventory to existing customers and the collection of accounts receivable, combined with the AEC auction will generate the greatest net realization for the secured creditors.

4. PCL’s Winddown Plan

4.1 As there were not any acceptable going-concern offers, the Company is of the view, and the Monitor agrees that an orderly winddown combined with the AEC auction proposal will generate the greatest net realizations.

4.2 Company management has contacted the customers and advised them of the pending closure of the Oakville plant. The

orders and based on the conversion of raw materials and work in progress inventory, the Company has determined that production should continue to March 29, 2008. Thereafter, finished goods inventory will continue to be shipped to the customers over the following two weeks.

4.3 The 25 salaried employees and the 122 hourly union employees were informed of the disappointing results of the sales process on March 5, 2008. Negotiations are underway with the union representatives to negotiate a plant closure agreement.

4.4 The Company management has calculated the potential obligation for termination and severance pay under the Employment Standards Act to be in the range of \$2.8 million (depending on the number of weeks of working notice that can be given to reduce the termination pay requirement.).

4.5 Based on analysis prepared by the Company, the net realizations would be dramatically reduced if this entire balance of termination and severance is paid. The alternative of an immediate shutdown and liquidation is only expected to generate a result which is \$500,000 to \$600,000 greater than the orderly winddown. This difference is in effect the constraint of the maximum available for the employee obligation.

4.6 PCL's 13 week cashflow forecast for the orderly winddown process is attached as **Appendix H**. The highlights of the forecast are as follows:

- Accounts Receivable - collections totaling \$5,621,000 include accounts receivable of \$2,553,000 at February 29, 2008 and sales of finished goods and processed inventory of \$3,640,000 less a provision for uncollectible accounts of \$572,000;
- Other Cash Receipts - sale of equipment of \$720,000 based on the AEC auction agreement and the St John sale proceeds of \$2,359,000;
- Disbursements - major items include salaries and wages of \$955,000, material purchases of \$538,000, vacation pay of \$300,000, termination/severance pay of \$380,000 and post - filing brokers commissions and volume rebates of \$580,000;
- GMAC Loan Position - for the week ending May 23, 2008 the operating loan balance is forecasted to be \$1,205,000 and the term loan balance would be \$1,443,000 for a total of \$2,648,000.

4.7 At the end of the winddown period the only remaining assets would be the real estate, the unused portion of the Escrow Amount (likely to be in the range of \$NIL to \$250,000) and any recovery from the equipment auction over the \$820,900 threshold. Due to the environmental remediation costs the real estate will not likely generate any more than \$5 million, and possibly somewhat less.

Any surplus funds after repayment of the GMAC loans will likely be insufficient to fully repay the secured loans of the Second Lien Holders that are owed approximately \$5.1 million.

4.8 Previously the Court approved the Company's request to provide for up to \$100,000 in Key Employee Retention Payments ("KERP"). As part of the winddown process certain additional performance based KERPs have been negotiated with two more employees. This could create an additional \$15,000 over the previously approved amount of \$100,000. Both the Monitor and GMAC have agreed that the proposed additional KERPs are appropriate in the circumstances.

5. Summary and Recommendation

5.1 The foregoing summarizes the activities of the Company and the Monitor from the date of the Monitor's Third Report, February 19, 2008.

5.2 The Monitor is of the view that the Company is acting in good faith and diligence.

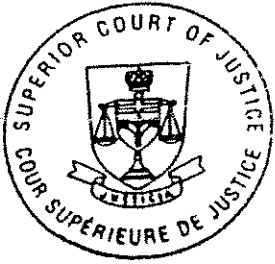
5.3 The Monitor supports the Company's request for the Court's approval of the Asset Engineering auction agreement and recommends that the request be granted.

5.4 To the extent possible, PCL will continue the orderly winddown of the operations at the Oakville facility to maximize the recoveries for the creditors.

All of which is respectfully submitted this 14th day of March 2008.

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

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



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.

A handwritten signature in black ink, appearing to be "A. H. [unclear]", written over a horizontal line.A small, handwritten mark or signature in black ink, possibly initials, located below the first signature.

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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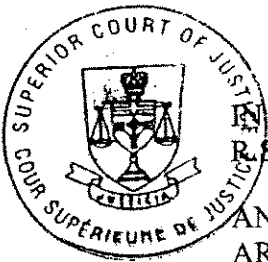
Solicitors for the Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM
JUSTICE HOY

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)
)

THURSDAY, THE FOURTEENTH
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 2010



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

Court File No. 08-CL-7375

(Short title of proceeding)

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

ORDER

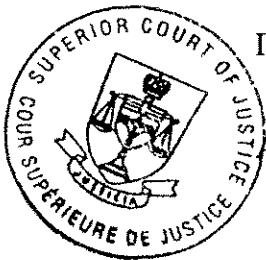
McMILLAN BINCH MENDELSON LLP
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Daniel V. MacDonald LSUC#: 23125F
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Solicitors for the Applicant

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

MAR 21 2008

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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

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PCL PACKAGING CORPORATION
COMPARISON OF ACTUAL TO PROJECTED CASH FLOW
For the 7 Weeks Ending March 7, 2008

	Projected 7-Mar-08	Actual 7-Mar-08	\$ Variance	% Variance
Accounts Receivable Collections - Oakville	5,886	4,066	(1,820)	-31%
Accounts Receivable Collections - St John	810	1,317	507	63%
Sale of St John Plant	1,900	1,759	(141)	-7%
Sale of Oakville Equipment	-	-	-	0%
Sale of Oakville Inventory	-	-	-	0%
Scrap Value	-	-	-	0%
Total Collections	8,596	7,142		
Material Purchases -				
Oakville	(893)	(2,273)	(1,380)	155%
St John	(458)	(940)	(482)	105%
Payroll and Related Benefits				
Oakville	(630)	(778)	(148)	23%
Oakville - Salary	(150)	(159)	(9)	6%
Oakville - Corp	(60)	(65)	(5)	8%
St John	(250)	(386)	(136)	54%
Retention Bonus	(100)	-	100	-100%
2007 Unpaid Vacation Pay - St John	(150)	-	150	-100%
2007 Unpaid Vacation Pay - Oakville	(300)	-	300	-100%
Utilities				
Oakville	(300)	(151)	149	-50%
St John	(50)	-	50	-100%
Property Taxes				
Oakville	(40)	(40)	-	0%
St John	(6)	-	6	-100%
Broker Commissions/Rebates				
Oakville	(1,120)	(458)	662	-59%
St John	-	-	-	0%
St. John Rent	-	(36)	(36)	100%
Warehousing	(208)	(117)	91	-44%
Distribution	(400)	(388)	12	-3%
Maintenance and Other	(325)	(319)	6	-2%
Insurance	(40)	(137)	(97)	243%
Priority Payables	(75)	(44)	31	-41%
Professional Fees	(637)	(217)	420	-66%
Foreign Exchange	-	(31)	(31)	100%
Interest and Term Loan Service	(193)	(253)	(59)	31%
Operating Line - Interest and Fees	(67)	(91)	(24)	36%
Total Disbursements	(6,453)	(6,882)		
Net Change in Cash Position	2,143	259		
Cash - Beginning Balance	(4,387)	(4,387)		
Cash - Ending Balance	(2,244)	(4,128)		

Note 1 Accounts Receivable Rollforward

Accounts Receivable - Opening Balance	3,935	3,935		
Add :				
Gross Sales - Oakville	3,682	4,386	704	19%
Gross Sales - St John	590	2,064	1,474	250%
Less :				
Collections - Oakville	(5,886)	(4,066)	1,820	-31%
Collections - St John	(810)	(1,317)	(507)	63%

Writeoff - Oakville	(278)	-	278	-100%
Adjustment to Actual	-	(824)	(824)	100%
Sale of St John A/R	(1,004)	(1,523)	(519)	52%
AR Ending Balance	<u>229</u>	<u>2,655</u>		

Note 2 Inventory Rollforward

Inventory - Opening Balance	4,080	4,080		
Add :				
Purchases - Oakville	893	2,273	1,380	155%
Purchases - St John	458	940	482	105%
Add: Inventory in Transit	-	-		
Less :				
Estimate COGS Margin - Oakville	(2,857)	(3,452)	(595)	21%
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	(493)	-	493	-100%
Writeoff of Finished Goods	-	-	-	0%
Adjustment to Actual	-	1,534	1,534	100%
Inventory - Ending Balance	<u>572</u>	<u>2,950</u>		
Cdn to US Fx Rate Utilized	1	1		

Note 3 Bank Balance - Term Loan

Opening Balance	1,795	1,795	-	0%
Interest	17	15	(2)	-13%
Payments	(176)	(176)	-	0%
Interest Payments	(17)	(15)	2	-13%
Ending Balance	<u>1,619</u>	<u>1,619</u>		
Interest Rate	7.5%	7.5%		

Margin Analysis:

			Per BBC
Accounts receivable	229	2,655	2,655
Less: Estimate ineligible	253	512	512
Net	(24)	2,143	2,143
Advance rate	85%	85%	85%
Borrowing Base Availability	(20)	1,821	1,822
Inventory	572	2,950	2,950
Less: Estimated ineligible	45	413	413
Net	527	2,537	2,537
Advance Rate	57%	57%	57%
Borrowing Base	302	1,454	1,454
Total Borrowing Base	282	3,275	3,274
Add: PCL Adjustment	-	-	-
Other Reserves	1,400	1,371	1,371
Net Borrowing Base	(1,118)	1,904	1,903
Revolving Loan Balance	(2,244)	(4,120)	(4,170)
Excess (Shortfall) Availability	<u>(3,362)</u>	<u>(2,216)</u>	<u>(2,267)</u>

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 14, 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:

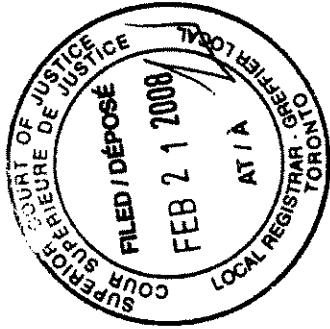
1. The Purchaser has paid and the Monitor has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in Article X and Article XI of the Sale Agreement have been satisfied or waived by the Applicant and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at 2:46 PM on the 21st day of February, 2008.

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

Per: _____

Name: Blair F. Davidson, CA, CIRP, CBV

Title: Senior Vice President



PCL Packaging Corporation
Sale of the Saint John Plant to Inteplast
Schedule of Closing Adjustments
Closing Tuesday February 19, 2008

Purchased Assets		CDN \$	753,000.00	
Inventory		\$	1,033,871.87	as per IN5101 at Feb 19 2008
Inventory Discount		\$	(277,585.00)	
Negotiated Inventory Amount		\$	756,286.87	
Accounts Receivable		\$	1,109,185.11	as per AR4101 at Feb 19 2008
	1.0070 US	\$	410,570.82	as per AR4101 at Feb 19 2008
Discount Amount of 4%		\$	1,522,629.93	
Negotiated Accounts Receivable Amount		\$	(60,905.20)	
		\$	1,461,724.73	
		\$	<u>2,971,011.60</u>	
less: accrued unpaid vacation pay to Feb 19		\$	(153,529.64)	salary \$39,299.48 and hourly \$114,230.16
less: allowance for property taxes due		\$	(8,993.02)	2007 actual of \$66,988.79 prorated for 49 days
add: deposit with landlord		\$	24,997.50	
add:: credit vendor for February rent paid		\$	4,741.00	\$12,499.00 for 11 of 29 days
less: vendor's share of environmental costs		\$	(15,024.76)	as agreed
less: allowance for Source Emission Test		\$	(13,800.00)	
Purchase Price		\$	<u>2,809,402.68</u>	
		\$	450,000.00	to be paid by wire transfer on Closing Day to the Monitor
		\$	2,359,402.68	to be paid by wire transfer on Closing Day to the Monitor

PCL Packaging Corporation
Six Week Winddown (3 Week Production)
For The 13 Week Period Ended May 23, 2008
(CDN\$ '000)

	Reference	Projected W/E 09-May (\$Cdn)	Projected W/E 16-May (\$Cdn)	Projected W/E 23-May (\$Cdn)	Projected W/E 30-May (\$Cdn)	Total 5 WK (\$Cdn)
Accounts Receivable Collections - Oakville	Note 1	307	-	-	-	5,621
Sale of Oakville - Equipment		720	-	-	-	720
Sale of St. John		-	-	-	-	2,359
Total Collections		1,027	-	-	-	8,700
Material Purchases - Oakville	Note 2	-	-	-	-	(538)
Payroll and Related Benefits		(10)	(10)	(10)	(10)	(700)
Oakville - Salary		-	-	-	-	(189)
Oakville - Corp		-	-	-	-	(66)
Retention Bonus		-	-	-	-	(70)
Provision for Termination & Severance		-	-	-	-	(380)
2007 Unpaid Vacation Pay - Oakville		-	-	-	-	(300)
Utilities		-	-	-	-	(234)
Property Taxes		-	-	-	-	(80)
Broker Commissions/Rebates		-	-	-	-	(580)
Warehousing		-	-	-	-	(100)
Distribution		-	-	-	-	(348)
Maintenance and Other		(10)	(10)	(10)	(10)	(270)
Insurance		-	-	-	67	67
Priority Payables		-	-	-	-	(118)
Professional Fees		(20)	-	-	(20)	(383)
Foreign Exchange		-	-	-	-	-
Interest and Term Loan Service		(96)	-	-	-	(297)
Operating Line - Interest and Fees		(20)	(2)	(2)	(2)	(78)
Total Disbursements		(156)	(12)	25	25	(4,664)
Net Change in Cash Position		871	(12)	25	25	4,036
Cash - Beginning Balance		(2,090)	(1,218)	(1,230)	(1,230)	(5,241)
Cash - Ending Balance		(1,218)	(1,230)	(1,205)	(1,205)	(1,205)
Note 1 Accounts Receivable Rollforward						
Accounts Receivable - Opening Balance		879	572	(0)	(0)	2,553
Add: Gross Sales - Oakville		-	-	-	-	3,640
Less: Collections - Oakville		(307)	-	-	-	(5,621)
Adjustment to Actual		-	(572)	-	-	(572)
Writeoff - Oakville		-	-	-	-	-
AR Ending Balance		572	(0)	(0)	(0)	(0)
Note 2 Inventory Rollforward						
Inventory - Opening Balance		0	0	0	0	3,122
Add: Purchases - Oakville		-	-	-	-	538
Add: Inventory in Transit		-	-	-	-	-
Less: Estimate COGS Margin - Oakville		-	-	-	-	(2,985)
Writeoff of Raw Materials		-	-	-	-	(675)

PCL Packaging Corporation
Six Week Winddown (3 Week Production)
For The 13 Week Period Ended May 23, 2008
(CDN\$ '000)

Reference	Projected W/E			Total W/E 23-May 6 WK (\$Cdn)
	09-May (\$Cdn)	16-May (\$Cdn)	23-May (\$Cdn)	
Adjustment to Actual	0	0	0	0
Inventory - Ending Balance	1.0	1.0	1.0	1.0
Cdn to US Fx Rate Utilized				

Note 3 Bank Balance - Term Loan

Opening Balance	1531	1443	1443	1707
Interest	8	-	-	33
Payments	(88)	-	-	(264)
Interest Payments	(8)	-	-	(33)
Ending Balance	1443	1443	1443	1443
Interest Rate	7.5%	7.5%	7.5%	7.5%

Margin Analysis:

Accounts receivable	572	(0)	(0)	(0)
Less: Estimate Ineligibles	6	-	-	(0)
Net	566	(0)	(0)	(0)
Advance rate	85%	85%	85%	85%
Borrowing Base Availability	481	(0)	(0)	(0)
Inventory	0	0	0	0
Less: Estimated ineligibles	5	-	-	0
Net	(5)	0	0	0
Advance Rate	57%	57%	57%	57%
Borrowing Base	(3)	0	0	0
Total Borrowing Base	478	(0)	(0)	(0)
Other Reserves	1,371	1,371	1,371	1,371
Net Borrowing Base	(893)	(1,371)	(1,371)	(1,371)
Revolving Loan Balance	(1,218)	(1,230)	(1,206)	(1,206)
Excess (Shortfall) Availability	(2,111)	(2,601)	(2,576)	(2,576)

**PCL PACKAGING CORPORATION
WINDDOWN ANALYSIS - OAKVILLE**

ASSUMPTIONS

The wind down production is based on a 3 week production scenario. Discussions with Ian Bell of PCL determined that 21 days production would be necessary to turn raw materials into finished goods, as well as current WIP, and satisfy the needs for transition of good customers. The related Sales numbers and COGS amounts are based on recent historical data gathered in 2008.

- 1** AR collection is structured based on 2008 historical collection patterns. The writeoff is based on average bad debt rates from the previous year, as well as current aging history
- 2** A provision for termination and severance was input based on 4 weeks pay for all PCL employees. This was deemed necessary for co-operation of the union during the winddown phase.
- 3** Volume rebates and broker commissions are based on amounts owing for sales made during the CCAA period based on 2008 payment rates. An extra provision was added for payment of older outstanding commissions to ensure the collection and inventory buying of these groups
- 4** Inventory writeoffs are based on the same scenarios as those calculated for the St. John sale to Inteplast. There is a provision for obsolete inventory, unsaleable raw materials, and other small items
- 5**