

1. The Debtors are experiencing a secular decline in their business as demand shrinks, resulting in volume and price declines. Indeed, from March 2008 through the Petition Date, the Debtors' cash balance declined by \$63.6 million (39%).¹ In addition, net inventory declined by \$156.8 million (31%) and net accounts receivable declined by \$61.7 million (16%) between March 2008 and March 2009.² Furthermore, since the Petition Date, the value of the Term Loan Lenders' collateral has continued its descent and, given recent performance and industry trends, is likely to continue to deteriorate. On the Petition Date, the Debtors had cash on hand in the amount of \$98.3 million,³ which cash was subject to the Term Loan Lenders' lien, but as of May 10th, the aggregate amount of cash on hand ~~declined~~was projected to decline to \$—83.0 million (a —16% decline)⁴ and the Debtors project it to further decline to \$—(a —74.2 million (an additional 11% decline))⁵ as of September 6th.⁴ Similarly, the Debtors had gross receivables of \$—350.1 million on the Petition Date, which has subsequently declined to \$—333.6 million as of May 1, 2009, with further deterioration projected to bring gross

¹ The Debtors' ending cash balance for the period ending March 31, 2008 was \$161.9 million. See Debtors' 6-K for period ending March 31, 2008, a copy of which is attached hereto as Exhibit C. The amount of cash on hand on the Petition Date was \$98.3 million. See Appendix G of Fifth Report of the Monitor dated May 13, 2009, 2009 (the "Fifth Monitor's Report"), a copy of which is attached hereto as Exhibit D.

² Compare Debtors' 6-K for the period ending March 31, 2008 (Exhibit C) and the Current Asset Amount Certificate for the Month Ended March 31, 2009, a copy of which is attached as Exhibit 2 to the Zelin Declaration Motion. March 2009 amounts are book values net of doubtful accounts and obsolete and non-saleable inventory, respectively.

³ See Appendix G of the Fifth Report of the Monitor dated May 13, 2009's Report (Exhibit D).

⁴ Certain financial information has been redacted from this Objection due to confidentiality restrictions. If these restrictions are lifted by the Debtors, the Term Loan Lenders will file an amended Objection.

⁵ See Debtors' ACI Weekly Cashflow Statement in 18 Week Cash Flow Model Beginning 4 May 09, a copy of which is attached hereto as Exhibit E (due to confidentiality restrictions, this exhibit will not be filed unless those restrictions are lifted)⁴ See Appendix I of the Fifth Monitor's Report (Exhibit D). Note that the original Objection relied on a non-public exhibit marked as Exhibit E but not filed on the docket. After conferring with the Debtors, the Acting Agent has agreed to rely on financial projections provided in the Fifth Monitor's Report instead of on the non-public information in Exhibit E. Although the Fifth Monitor's Report contains projections, rather than actual cash on hand as of May 10th, the projections are substantially similar to actual results. Note further that the cash on hand stated herein for May 10th and September 9, 2009 are net

receivables to \$—**282.9 million** (a —**19%** decline) as of September 6, 2009.⁶⁵ The Debtors do not project inventory and have made a simplistic assumption that the Term Loan Lenders' collateral value of inventory is assumed to remain constant throughout their projections. The Term Loan Lenders are skeptical at best of the validity of these assumptions given the historical trending decline in net inventory balances set forth above (and determined by review of historical operating performance data from the Debtors' electronic data room). These drops in value unequivocally demonstrate that the Term Loan Lenders' collateral is decreasing in value and the remaining collateral must be protected.

of \$25.1 million in net borrowings under the Abitibi Group's Canadian DIP facility, which amount was not included in the Petition Date cash balance.

⁶⁵ See ACI Securitization Schedule included in the 13 Week Cash Flow Model Beginning 20-Apr-09, a copy of which is annexed hereto as Exhibit F (due to confidentiality restrictions, this exhibit will ~~not~~ be filed ~~unless those restrictions are lifted~~**under seal**); ACI Securitization Schedule included in the 18 Week Cash Flow Model Beginning 4-May-09, a copy of which is annexed hereto as Exhibit G (due to confidentiality restrictions, this exhibit will ~~not~~ be filed ~~unless those restrictions are lifted~~**under seal**).

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