CANADA

PROVINCE OF QUÉBEC
DISTRICT OF
MONTRÉAL

No.: 500-11-036133-094

SUPERIOR COURT

Commercial Division
Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act,
R.S.C., c. C-36, as amended

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC., a legal person incorporated under the laws of the State of Delaware, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
ABITIBI-CONSOLIDATED INC., a legal person incorporated under the laws of Canada, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
BOWATER CANADIAN HOLDINGS INC., a legal person incorporated under the laws of the Province of Nova Scotia, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And
the other Petitioners listed on Appendices "A", "B" and "C";

Petitioners

And
ERNST & YOUNG INC., a legal person under the laws of Canada, having a place of business at 800 René-Lévesque Blvd. West, Suite 1900, in the City and District of Montréal, Province of Quebec, H3B 1X9;

Information Officer

FIRST REPORT OF THE INFORMATION OFFICER
June 17, 2009

INTRODUCTION

1. On April 16, 2009, AbitbiBowater Inc. ("**ABH**"), Bowater Inc. ("**BI**"), and certain of their direct and indirect U.S. and Canadian subsidiaries, including Bowater Canadian Holdings Incorporated ("**BCHI**"), Bowater Canadian Forest Products Inc. ("**BCFPI**") (collectively referred to herein as "**U.S. Debtors**"), filed voluntary petitions (collectively, the "**Chapter 11 Proceedings**") for relief under Chapter 11 of the U.S. Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the "**U.S. Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**").

2. On April 17, 2009, Abitibi-Consolidated Inc. ("**ACI**") and its subsidiaries (collectively with ACI, the "**Abitibi Petitioners**") and BCHI and its subsidiaries (collectively with BCHI, the "**Bowater Petitioners**") (the Abitibi Petitioners and the Bowater Petitioners are, together, the "**CCAA Petitioners**") filed for and obtained protection from their creditors under the *Companies' Creditors Arrangement Act* (the "**CCAA**" and the "**CCAA Proceeding**") pursuant to an Order of this Honourable Court (the "**Initial Order**"). Pursuant to the Initial Order, Ernst & Young Inc. ("**EYI**") was appointed as monitor of the Petitioners (the "**Monitor**") under the CCAA.

3. On April 17, 2009, ABH and the petitioners listed on Appendix "C" hereto (collectively with ABH, the "**18.6 Petitioners**") obtained Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11.

4. Pursuant to paragraph 78 of the Initial Order, EYI was appointed as the information officer in respect of the 18.6 Petitioners (the "**Information Officer**").

PURPOSE

5. The Initial Order provides that the Information Officer report to this Honourable Court at least once every two months (or at such times or intervals as the Information Officer deems appropriate) outlining the status of the Chapter 11 Proceedings of the Section 18.6 Petitioners and such other information as the Information Officer believes to be material.

6. This is the Information Officer's first report (the "**Report**"), although the Monitor has provided regular reports to this Honourable Court with respect to certain matters in the Chapter 11 Proceedings as they impact on the CCAA Proceedings since April 17, 2009.

TERMS OF REFERENCE

7. In preparing this Report, the Information Officer has received and relied upon publicly available information obtained from the U. S. Bankruptcy Court and from consultations with counsel to the U.S. Debtors.

8. Copies of all of the Information Officer Reports, in both English and French, and all motion records and Orders in the CCAA Proceedings will be available on the Monitor's website at www.ey.com/ca/abitibibowater.

9. Copies of all of the U.S. Bankruptcy Court's orders are posted on the website for Epiq Bankruptcy Solutions LCC ("**Epiq**") http://chapter11.epiqsystems.com/abitibibowater.

BACKGROUND

10. ABH is one of the world's largest publicly traded paper and forest product companies. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. As of December 31, 2008, the ABH Group employed approximately 15,800 people, approximately 11,300 of whom work in ACI's and BI's Canadian operations. The ABH Group owns interests in or operates 35 pulp and paper mills, 24 sawmills (others have been permanently closed), 5 wood products facilities and 32 recycling facilities located in Canada, the United States, the United Kingdom and South Korea.

11. Incorporated in Delaware and headquartered in Montreal, Quebec, ABH functions as a holding company and its business is conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC ("**Newsprint South**") (BI, Newsprint South and their respective subsidiaries are collectively referred to as the "**BI Group**"), ACI (ACI and its subsidiaries are collectively referred to as the "**ACI Group**") and AbitibiBowater U.S. Holding LLC ("**ABUSH**") (ABUSH and its respective subsidiaries are collectively referred to as the "**DCorp Group**").

12. The CCAA Petitioners and the U.S. Debtors are all subsidiaries of ABH (ABH, collectively with its subsidiaries, the "**ABH Group**").

THE CHAPTER 11 PROCEEDINGS

13. On April 16, 2009, the U.S. Debtors filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court. On April 17, 2009, the U.S. Bankruptcy Court granted various first day motions and entered certain final and interim orders (the "**First Day Orders**").

14. The Information Officer notes, in particular, that the following First Day Orders were granted:

(i) an interim order authorizing the U.S. Debtors to continue to use their existing consolidated cash management systems and bank accounts to continue performing ordinary course inter-company transactions, granting administrative priority status to post-petition intercompany claims and granting a limited and interim waiver of the deposit guidelines set forth in Section 345 of the U.S. Bankruptcy Code;

(ii) an interim order authorizing the U.S. Debtors to continue selling accounts receivable and related rights pursuant to the existing securitization program;

(iii) an interim order authorizing, but not obligating, the U.S. Debtors to pay employee obligations such as pre-petition wages, salaries and other compensation, reimbursable employee expenses and employee medical and similar benefits;

(iv) an order authorizing, but not obligating, the U.S. Debtors to pay pre-petition amounts owing to certain critical vendors and administrative claimholders;

(v) an order authorizing, but not obligating, payment of the pre-petition claims of shippers, warehousemen and other lien claimants;

(vi) an order authorizing, but not obligating, the U.S. Debtors to pay certain pre-petition customer and broker obligations and to continue pre-petition customer and broker programs in the ordinary course;

(vii) an interim order prohibiting utility service providers from discontinuing or altering service to the U.S. Debtors;

(viii) an order authorizing, but not directing, the U.S. Debtors to pay certain pre-petition sales, use, franchise and property taxes, licensing fees, and similar obligations;

(ix) an interim order approving post-petition financing, authorizing use of cash collateral, granting liens, providing superpriority administrative expense status, granting adequate protection, modifying the automatic stay, and scheduling a final hearing with respect to the BI/BCFPI DIP Agreement (as defined herein);

(x) an order authorizing the U.S. Debtors to continue insurance coverage obtained prior to the filing of the petition and to maintain post-petition financing arrangements for certain insurance premiums;

(xi) an order authorizing the retention of Epiq as notice, claims and balloting agent to the U.S. Debtors; and

(xii) an order directing the joint administration of the U.S. Debtors' cases for procedural purposes in the District of Delaware.

15. On April 28, 2009, the U.S. Trustee appointed the following as members comprising the Official Committee of Unsecured Creditors (the "**UCC**") of the U.S. Debtors:

(i) HSBC Bank as Indenture Trustee

(ii) Wilmington Trust as Indenture Trustee

(iii) Computershare as Indenture Trustee

(iv) The Pension Benefit Guaranty Corp.

(v) United Association of Steelworkers

(vi) Imerys Clays Inc.

(vii) Andretta Inc.

16. The Information Officer has been advised that the following professionals have been retained during the course of the Chapter 11 Proceedings:

(i) Deloitte Tax LLP

(ii) PricewaterhouseCoopers LLP

(iii) Huron Consulting LLC

(iv) Young Conaway Stargatt & Taylor, LLP

(v) Ernst & Young, LLP (U.S.)

(vi) Troutman Sanders LLP

(vii) Paul, Weiss, Rifkind, Wharton & Garrison LLP

(viii) Epiq, as Notice, Claims and Balloting Agent

(ix) Garden City Group

(x) Bayard, P.A.

(xi) Bennett Jones LLP (on behalf of the UCC)

17. The Information Officer has also been advised that the following parties have filed motions for administrative expense claims [Section 503(b)9 of the US Bankruptcy Code allows entities to file claims for goods received by the US Debtors in the 20 days preceding the petition date]:

(i) American Osment (janitorial products supplier)

(ii) C.R. Mullis Oil & Heating Company (kerosene and gas supplier of BI)

(iii) Airgas National Welders (industrial gases and related products supplier) (This was consensually resolved by stipulation that allows the administrative claim but not immediate payment.)

(iv) Tencarva Machinery Company (parts and services, e.g. impellers and gaskets supplier) (This was consensually resolved by stipulation that allows the administrative claim but not immediate payment.)

(v) Cartall, Inc. (specialized lubricants supplier)

(vi) Cheney Lime & Cement Company (calcium oxide (quicklime) supplier)

(vii) Headwaters Investments Corporation (timber supplier)

(viii) SafeRack LLC (safety equipment supplier) (This was consensually resolved by stipulation that allows the administrative claim but not immediate payment.)

(ix) Essco Inc. (paper- related products supplier)

(x) Diversified Energy Inc. (coal supplier)

(xi) Canal Wood LLC (wood products supplier)

18. The Information Officer also notes, in particular, that the following orders were granted with respect to the 18.6 Petitioners in the Chapter 11 Proceedings:

(i) interim order modifying the reporting requirement of U.S. Bankruptcy Rule 2015.3(a) that requires the debtor to file periodic financial reports of the value, profitability and operations of each entity;

(ii) order approving a settlement agreement concerning a power supply contract and subsequent lawsuit between Bowater Alabama LLC and Alabama Power Company;

(iii) order authorizing the employment and compensation of professionals utilized in the ordinary course of the U.S. Debtors' business;

(iv) order establishing procedures and approving restrictions on certain transfers of interests in ABH equity securities;

(v) final order prohibiting utility providers from altering, refusing or discontinuing service to the U.S. Debtors, deeming utility providers adequately assured and establishing procedures to determine requests for adequate assurance of payment;

(vi) order extending the U.S. Debtors' time in which to file schedules of assets and liabilities and statements of financial affairs;

(vii) as described more fully in this Report, a final order which authorizes ABH, BI and BCFPI and certain of their direct and indirect subsidiaries to execute the loan documents in respect of a post petition financing facility and provide adequate protection to certain prepetition lenders;

(viii) as described more fully in this Report, an order authorizing certain U.S. Debtors to continue selling receivables to the existing securitization program and a stipulation for the provision of adequate protection under the existing securitization facility to the term lenders under the Abitibi-Consolidated Company of Canada ("ACCC") term loan (the "**ACCC Term Lenders**") which memorializes an agreement reached with the ACCC Term Lenders at the April 17, 2009 hearing of the Chapter 11 Proceedings; and

(ix) as described more fully in this Report, an interim order authorizing the entry into an amended and restated securitization program, granting superpriority administrative expense claims and adequate protection.

19. The following motions are currently pending in the Chapter 11 Proceedings with respect to the 18.6 Petitioners:

(i) motion for an application for an order approving the retention and employment of Blackstone Advisory Services L.P. as financial advisor;

(ii) motion for relief from stay filed by the Levin Group, L.P., an M & A advisory firm to permit the continuation of a state court litigation based on a breach of contract suit against BI;

(iii) motion for relief from stay filed by Mark Lloyd, et al., to pursue state court litigation for a number of tort claims, including wrongful death, arising from the alleged negligence of one of the U.S. Debtors' employees in operating a recycling waste truck;

(iv) motion for relief from stay filed by Diane Rause ("**Rause**") to pursue a wrongful death claim against Abitibi Consolidated Sales Corporation resulting from the death of Johnny Mendoza, Jr. in a fall at an Abitibi paper mill in Snowflake, Arizona. Rause seeks to recover damages from the Debtors' insurance policy and not the Debtors themselves.

(v) motion to authorize the rejection of an electric service agreement with Southern Pine Electric Cooperative;

(vi) motion to authorize Bowater Alabama LLC to abandon property, reject executory contracts, and take other actions necessary to decommission and permanently close its Westover sawmill and Goodwater planer mill operations in Alabama;

(vii) motion to authorize BI to enter into, assume or consummate five pending *de minimis* land transactions free and clear of all liens, claims and encumbrances;

(viii) motion to consummate sales of *de minimis* miscellaneous assets for consideration of up to USD $75,000 without further notice to any party other than by filing a report of sale with the U.S. Bankruptcy Court upon completion of the sale;

(ix) motion to employ and retain Croco as a restructuring advisor and designating Bruce Robertson as the debtors' Chief Restructuring Officer;

(x) motion to employ and retain FTI Consulting, Inc. (on behalf of the UCC);

(xi) motion to retain Lazard Freres & Co., LLC (on behalf of the UCC);

(xii) UCC's motion for procedures to grant creditors access to confidential information of the Debtors (procedures include a website containing case updates and contact information for the UCC's counsel);

(xiii) motion to authorize Bowater Alabama LLC to enter into an asset purchase agreement, assume a related existing agreement and otherwise consummate the purchase of a chip mill facility for a purchase price of approximately USD $2.45 million to support and supplement its Coosa Pines, Alabama fluff pulp operations;

(xiv) amended motion for entry of the Cross-Border Protocol that will provide the U.S. and Canadian Courts with a framework for the coordination of the administration of the Chapter 11 Proceedings and the CCAA Proceedings, as the Debtor, Monitor, the UCC and other parties have been in consultation regarding the Cross-Border Protocol (It is hoped that the protocol will be approved by both this Honourable Court and the U.S. Bankruptcy Court in early July.); and

(xv) hearing on the entry of motion for a final order authorizing the continued use of existing cash management systems, the continuation of certain intercompany transactions and granting administrative priority status to post-petition intercompany claims (hearing on this motion is schedule for June 17, 2009).

THE BI/BCFPI DIP FACILITY

20. BI (together, with ABH, the "**U.S. Borrowers**") is a party, along with several lenders, to a five-year $381 million revolving credit facility with a scheduled maturity date of May 25, 2011. Wachovia Bank, National Association serves as administrative agent. The facility is guaranteed by ABH, Newsprint South and certain wholly owned subsidiaries of Newsprint South, and BI. It is secured by inventory, accounts receivable and deposits of BI, Newsprint South and the subsidiaries referred to above, as well as pledges of stock of certain subsidiaries.

21. BCFPI ("**Canadian Borrower**", and, together with the **US Borrower**, the "**BI/BCFPI Borrowers**") is party to a 364-day credit agreement with several lenders and the Bank of Nova Scotia (Bank of Nova Scotia with Wachovia Bank, National Association are together the "**Prepetition Lenders**") as administrative agent which provides a $129.7 million revolving credit facility with a maturity date of June 5, 2009, subject to annual extensions. It is guaranteed by BI and certain subsidiaries of BCFPI and secured by inventory, accounts receivable, deposit accounts of BCFPI and liens on substantially all of the Canadian fixed assets and the shares of Bowater Korea.

22. The BI/BCFPI Borrowers entered into a DIP Financing Agreement (the "**BI/BCFPI DIP Agreement**") with Fairfax Financial Holdings Limited as the initial lender and such lenders as may be party thereto from time to time (collectively, the "**BI/BCFPI DIP Lender**").

23. On June 4, 2009, a final order was entered by the U.S. Bankruptcy Court approving the BI/BCFPI DIP facility (the "**Final DIP Order**").

24. The key of terms of the Final DIP Order are as follows:

(i) The BI/BCFPI DIP Lender provides a senior secured superpriority term loan of USD $206,000,000 (USD 166,000,000 for BI and its direct and indirect subsidiaries, and USD $40,000,000 to BCFPI) (the "**Term Loan**") plus subject to further approval of the U.S. Bankruptcy Court, only after notice and a further hearing, an incremental loan of USD $154,000,000 which may be advanced after the date of the Final DIP Order.

(ii) Upon further order of the U.S. Bankruptcy Court, a form of asset-backed revolving credit facility in an aggregate principal amount not to exceed USD $600,000,000 minus the outstanding principal amount of the term loans at such time, the proceeds of which, after notice and a further hearing, will be used to first refinance obligations under the prepetition facilities and after the prepetition facilities are paid in full, for capital and general corporate purposes. (The asset-backed revolving credit facility and the term loan are together referred to as the "**BI/BCFPI DIP Facility**").

(iii) The borrowings of the BI/BCFPI Borrowers are guaranteed by ABH, BI and each direct and indirect wholly-owned subsidiary of BI and Newsprint South; and borrowings by BCFPI are guaranteed by each direct and indirect wholly owned Canadian subsidiaries of BI other than Bowater Canada Finance Corporation.

(iv) The BI/BCFPI DIP Facility and each guaranty will be secured by valid and enforceable security interests and liens in all of the property and assets, whether real or personal, excluding certain prepetition avoidance actions available under U.S. law, of the BI/BCFPI Borrowers having the priority set forth in the Final DIP Order, and which are automatically perfected by the DIP Order.

(v) The BI/BCFPI Borrowers are authorized to use cash collateral and other collateral that is subject to prepetition liens and will also provide the Prepetition Lenders with adequate protection, including liens, current interest payments and, as to the U.S Prepetition Lenders, superpriority claims.

(vi) The BI/BCFPI Borrowers are authorized to use the proceeds of the BI/BCFPI DIP Facility to fund costs and expenses, including those related to the administration of the Chapter 11 cases, adequate protection obligations, and other general corporate purposes in a manner consistent with the terms of the DIP loan agreement.

(vii) The obligations under the BI/BCFPI DIP Facility shall be allowed a superpriority administrative expense claim with priority subject and subordinated only to a carve-out described in the Final DIP Order, *pari passu* with adequate protection claims and otherwise superior to all administrative expense claims and unsecured claims against the BI/BCFPI Borrowers.

(viii) The automatic stay that enjoins acts against a debtor in the U.S. is modified as to the DIP Lenders in the event of a default under the DIP loan agreement, subject to certain conditions.

THE CASH MANAGEMENT SYSTEM

25. The ABH Group's treasury department administers a centralized cash management system (the "**CMS**") to support the business operations of the ABH Group. The CMS is administered separately for each of the BI Group and the ACI & DCorp Parties. The CMS is the vehicle for the transfer of funds among the various entities within each corporate group across various jurisdictional lines including Canada, the United States and Europe.

26. Funds are collected in separate concentration accounts from various deposit accounts in Canada, the United States and Europe. Funds are then transferred to various disbursement and payroll accounts to pay ongoing business expenses as required.

27. The ABH Group also uses the CMS to support the significant intercompany transactions between and among each of the ABH Group entities. The significant intercompany relationships are generally documented by intercompany notes and agreements. The Debtors can trace and account for intercompany transactions.

28. Intercompany claims are generated from corporate administrative expenses, which are allocated among the entities, as well as from the utilization of a centralized sales force. Other examples of intercompany transactions include:

(i) sales by ABH's Canadian operations to other entities. For example, BCFPI sells its products to Bowater America Inc. ("BAI") in respect of all sales, excluding lumber, to U.S. customers. The flow of inventory and intercompany receivables is tracked through the intercompany accounts; and

(ii) procurement of certain products and services. For example, the freight charges for the BI Group are paid for by the ACI Group and the cost of the ABH Group's U.S. sales force is paid by the BI Group.

29. Given the complexities of the CMS, including the large number of entities that participate therein, the U.S. Debtors felt that it would have been impossible to establish an entirely new system of accounts and CMS for each ABH Group company. Preserving "business as usual" avoids the difficulties that would result from a disruption of the CMS.

30. The U.S. Debtors have obtained an interim order and are seeking the approval of a final order authorizing the use of the existing CMS including the continuation of intercompany transactions (the "**CMS Order**").

31. The proposed CMS Order grants administrative priority status to postpetition intercompany claims and specifically provides that any intercompany transfers, loans and other claims created through intercompany transactions will be granted administrative priority status. The hearing on the CMS Order is scheduled for June 17, 2009. The U.S. Debtors are in the process of negotiating with parties, notably the UCC, regarding the terms of the proposed final order.

THE SECURITIZATION PROGRAM

32. The ACI Group (non-18.6 petitioners) has participated in a securitization program (the "**Existing Securitization Program**") with Citibank, N.A. ("**Citibank**"), as the lead arranger and administrative agent, to help fund the working capital requirements of the ACI Group and the DCorp Group.

33. The ACI Group and the DCorp Group entered into an amendment which enabled the ACI Group and the DCorp Group to continue to use the Existing Securitization Program for a limited period following the issuance of the Initial Order and the filing of the Chapter 11 Proceedings. As a result, the ACI Group commenced a process to secure a longer term arrangement with a replacement financial institution to continue to fund the equivalent of the Existing Securitization Program on a more permanent basis.

34. The Information Officer has been advised that the ACI Group and the DCorp Group have entered into engagement letters with Citibank and Barclays Capital Inc. ("**Barclays**") wherein Citibank and Barclays have agreed to provide a partial commitment for financing under an Amended and Restated Securitization Program (the "**Amended and Restated**

Securitization Program") pursuant to a term sheet and to arrange the remaining financing with other lenders. The Amended and Restated Securitization Program could provide the ACI Group and the DCorp Group with up to $270 million of liquidity based on the collateral formula and the amount of accounts receivable which will be eligible under the terms of the Amended and Restated Securitization Program.

35. On June 11, 2009, the U.S. Bankruptcy Court entered an interim order approving the Amended and Restated Securitization Program in the Chapter 11 proceeding. This order also provides for certain adequate protection to the ACCC Term Lenders. On June 15, 2009, this Honourable Court entered an order approving the Amended and Restated Securitization Program. The Information Officer has been advised that the definitive documentation was finalized and the Amended and Restated Securitization Program closed on June 16, 2009.

ADEQUATE PROTECTION

36. As noted above, the ACI Group and the DCorp Group operate an integrated CMS, including the management of their respective accounts receivable through the Existing Securitization Program. The CMS is the vehicle for transferring funds between the entities within the ACI Group and the DCorp Group.

37. DCorp and certain of its subsidiaries have guaranteed certain indebtedness of the ACI Group, including the indebtedness under the Term Loan Facility.

38. The Term Loan Facility is secured primarily by the personal (moveable) property (including accounts receivable and inventory) of ACCC, ACI and other guarantors, on substantially all of the personal (moveable) property of DCorp and its subsidiaries (including accounts receivable, inventory and equipment), the pledge of the stock or other equity interests of certain subsidiaries of DCorp and the real estate relating to the mill owned by Alabama River Newsprint Company. In addition to the accounts receivable and inventory collateral, the Term Loan Facility is secured by a pledge of the shares or other equity interests of the DCorp Group entities.

39. On April 17, 2009, certain of the ACCC Term Lenders filed a limited objection to the U.S. Debtors' Motion for approval of the continuation of the Existing Securitization Program in the U.S. Bankruptcy Court.

40. In order to resolve the limited objection of the ACCC Term Lenders, the DCorp Group agreed to provide certain forms of adequate protection to the ACCC Term Lenders during the 45-day period from April 16, 2009 to June 1, 2009 or until the replacement of the Existing Securitization Program (the "**Initial Adequate Protection Period**"). The details with respect to the adequate protection granted to the ACCC Term Lenders is set forth in the Sixth Report of the Monitor dated May 21, 2009 (the "**Monitor's Sixth Report**").

41. In summary, the ACCC Term Lenders were granted replacement liens on post-petition assets of the DCorp Group (the "**Replacement Liens**") and first priority liens on, and security interests in, all unencumbered assets of the DCorp Group and junior liens on encumbered assets of the DCorp Group (the "**Additional Liens**"). The ACC Term Lenders were also granted a superpriority administrative expense claim that includes, among other things, pre and post petition interest.

42. During the Initial Adequate Protection Period, certain of the ACCC Term Lenders filed an objection to the proposed Amended and Restated Securitization Program, demanding sufficient adequate protection for collateral pledged to the ACCC Term Lenders by DCorp Group and, to the extent such collateral is located in the U.S., the ACI Group. To resolve these objections, the DCorp Group agreed to provide certain forms of adequate protection to the ACCC Term Lenders for the duration of the Amended and Restated Securitization Program.

43. The ACCC Term Agent (for itself and on behalf of the ACCC Term Lenders) will continue to have Replacement Liens and Additional Liens.

44. The Guarantors will also grant the ACCC Term Agent an administrative priority claim, subject to the Carve-Out, in the amount of the diminution in value of the ACCC Term

Lender's interests in the collateral, subordinate only to certain superpriority claims in relation to the Amended and Restated Securitization Program.

45. In addition, upon the date of closing of the Amended and Restated Securitization Program, the DCorp Group will make an adequate protection payment in the amount of approximately $11 million (the "**Initial Payment**") plus the fees and expenses of certain professionals to the ACCC Term Agent which accrued during the Initial Adequate Protection Period. The details with respect to the Initial Payment are set forth in the Monitor's Sixth Report.

46. The DCorp Group will also provide monthly reporting to the ACCC Term Agent with respect to, among other things, a rolling 13-week cash flow forecast for the ACI Group and the DCorp Group.

47. As set forth in the Monitor's Sixth Report and the Supplemental Sixth Report of the Monitor dated June 12, 2009, the ACI Group funds any operating losses incurred by the DCorp Group as the DCorp Group has limited separate funding sources other than through the Existing Securitization Program or the Amended and Restated Securitization Program. As a result, the DCorp Group's requirement to make the Interest Payments (and professional fees) will be funded from cash generated from the Amended and Restated Securitization Program that would otherwise be used to make advances to ACI. The DCorp Group will account for these payments as an amount receivable from ACCC. Each month, this amount owed from the ACI Group to the DCorp Group will be offset by amounts owed by the DCorp Group to the ACI Group for inventory purchased on credit.

48. To the extent the ACI Group makes any intercompany transfers for the purpose of satisfying the Interest Payments or any payments to the ACCC Term Lenders on account of adequate protection, the ACI Group will have an administrative priority claim against the DCorp Group.

All of which is respectfully submitted.

ERNST & YOUNG INC.
in its capacity as the Court Appointed Information Officer
of the Petitioners

Per:

Alex Morrison, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

John F. Barrett, CA, CIRP
Vice President