

**CROWN PAPER LIQUIDATING TRUST
OCTOBER 22, 2007**

**STATUS OF ADMINISTRATIVE AND PRIORITY CLAIMS RESOLUTIONS,
INDUSTRIAL REVENUE BONDS CLAIM AND PRE-PETITION LENDERS
CLAIM, GENERAL CLAIMS RESOLUTIONS, TIMING OF DISTRIBUTION TO
TRUST BENEFICIARIES, PROFIT ISLAND ROYALTIES, CASH ON HAND,
REMAINING ASSETS**

**I. STATUS OF RESOLUTION OF REMAINING ADMINISTRATIVE,
PRIORITY AND SECURED CLAIMS**

A. TO BE SET FOR HEARING

The Liquidating Trust disputes \$564,963.48 of administrative, priority or secured claims. The Trust has exhausted all efforts to resolve these claims by agreement and, accordingly, these claims will be noticed for resolution at a hearing to be set in the coming weeks. The Trust has reserved the full amount of such claims pending their resolution. There are other disputed administrative or other priority claims filed in unspecified amounts for which it is not possible to determine a reserve amount.

B. ADMINISTRATIVE CLAIMS EXPUNGED IN ERROR

In the course of review of claims, the Liquidating Trust discovered \$24,872.04 of administrative claims that had been incorrectly expunged by a scrivener's error in an order previously entered. The Trust has moved to correct the error and on Friday October 19, 2007, an order from the Court was entered allowing these claims. The Trust has reserved the full amount of such claims and will pay them when the order becomes final.

C. STATUS OF PACE CLAIMS ISSUES:

The PACE Union has engaged the Liquidating Trust in litigation over the disposition of the Crown retirement plans and the surplus funds in some of those plans. In addition, PACE filed a number of objections to Trust actions and positions and a number of claims, including administrative priority claims for monetary relief, some of which seek unspecified amounts. The Trust was ultimately successful in obtaining a decision of the United States Supreme Court overturning lower Court decisions which had ruled in favor of PACE on the retirement plan disposition and the surplus funds. However, the mandate of Court jurisdiction has not yet been returned to the Bankruptcy Court.

The Trust has addressed over the years a number of the claims and objections of PACE, but one or more of the objections and administrative priority claims for unspecified amounts remain unresolved. The Trust will endeavor to resolve the remaining disputes with PACE by agreement if possible. If that is not possible, the Trust will seek resolution from the Bankruptcy Court upon the return of the mandate of Court jurisdiction regarding the retirement plan matters addressed by the Supreme Court decision. The Trust will

endeavor to obtain final resolution of all PACE matters by the end of 2007, but that cannot be assured.

II. STATUS OF INDUSTRIAL REVENUE BONDS CLAIM, PRE-PETITION LENDERS CLAIM AND OTHER GENERAL CLAIMS OBJECTIONS

A. STATUS OF INDUSTRIAL REVENUE BONDS (BANK OF NEW YORK AS INDENTURE TRUSTEE) CLAIM

The Liquidating Trust is involved in discussions over the size of the Industrial Revenue Bond Holders (“IRBs”) deficiency claim with counsel for the IRB indenture trustee Bank of New York (“BNY”).

The Debtors were indebted to the IRBs, in the principal amount of \$37,695,000. The IRBs had a perfected security interest in certain property sold by the Debtors in the sale of the St. Francisville, Louisiana plant to Tembec USA, Inc. which closed during the chapter 11. Pursuant to a Stipulation and Order entered by the Court during the chapter 11 on June 15, 2001, the proceeds of the Tembec Sale were distributed in part to the IRBs, but did not provide for a full payment of the indebtedness to the IRBs. In addition, however, the IRBs have received subsequent distributions from Recovery Proceeds of liquidating activities of the Liquidating Trust which consisted of 5% of the distributions set forth below to the Pre-petition Lenders, including proceeds of the Fort James Settlement, but still has not been paid in full.

The rights of the IRBs to such deficiency claim after receipt of proceeds of its collateral is as provided for in the Stipulation and Order approved by the Court on June 15, 2001. The amount of the deficiency claim is under review and discussion between the Liquidating Trust and BNY and, when resolved, will be characterized as a general unsecured claim entitled to treatment as a holder of beneficial interests in the Liquidating Trust. It is anticipated that agreement as to the amount of the deficiency will be reached and that BNY will amend its secured claim on behalf of the IRBs to assert the deficiency claim as an unsecured claim. If agreement cannot be reached, the parties will ask the Bankruptcy Court to resolve the matter.

B. STATUS OF PRE-PETITION LENDERS CLAIM

The Pre-petition Lenders retained in the Crown chapter 11 plan a right to share in Recovery Proceeds from liquidating activities of the Liquidating Trust. To date, \$19,733,689 has been paid collectively to the Pre-petition Lenders and IRBs of which 5% was required to be paid to the IRBs as indicated above, consistent with the rights of the Pre-petition Lenders and the IRBs. The Pre-petition Lenders and IRBS do have a continuing right to share in any further Recovery Proceeds, which would consist primarily of any recovery relating to the pending litigation over recovery of the fees and expenses incurred in connection with the PACE matter discussed in the section entitled “Remaining Trust Assets” below. However, the Pre-petition Lenders and the IRBs do

not share in proceeds of Profit Island mineral rights as such rights were a Retained Asset, not subject to the sharing formula with them. Finally, the Pre-petition Lenders, as distinct from the rights of the IRBs, do not have a right to an unsecured deficiency claim and thus do not have the right to share in distributions made to holders of beneficial interests in the Liquidating Trust.

C. STATUS OF OTHER GENERAL CLAIMS OBJECTIONS

In the past several months, the Liquidating Trust has filed Omnibus Objections Nos. 5 through 10, and the resolution of those objections remains outstanding. The response deadline for Omnibus Objections Nos. 5 through 9 was October 10, 2007. The response deadline for Omnibus Objection No. 10 is October 29, 2007. Once the respective deadline periods have passed, the Trust will: file certificates of no response and motions for entry of default orders against those creditors who have not responded to the objections; attempt to resolve by agreement those instances where a party filed a response; and, where the Trust is unable to resolve a claim where a response has been filed, the Trust will attempt to set such claims for hearing within 30 days of last response deadline of October 29, 2007. It is anticipated that a hearing on the Omnibus Objections will be set for late November or early December 2007. The timing on final resolution will depend upon the number of disputes, the complexity of the disputes and the timing of disposition by the Court. There will be one or more additional Omnibus Objections to be prepared, which the Trust will file prior to the end of 2007 to complete all general claims determinations.

III. TIMING OF DISTRIBUTION

Because some of the unresolved disputed claims seek unspecified amounts and claim administrative and other priority, distribution of funds cannot take place to holders of beneficial interests in the Trust until resolution of the disputes and payment in full of such administrative and priority claims as are allowed by the Bankruptcy Court and any unliquidated general unsecured claims are liquidated, estimated, or expunged. As indicated above, the Trust is endeavoring to resolve all such unliquidated claims issues by the end of 2007 or early 2008. If this can be accomplished, the Trust will plan a distribution for the first or second quarter of 2008. The timing remains subject, however, to resolution of these claims for unspecified amounts.

Although there can be no certainty until resolution of the disputed unliquidated claims, the Trust believes that, upon full resolution of these claims, there will be sums available for distribution to holders of beneficial interests. The amount of funds available to beneficial interest holders will depend upon the amounts of payments required to pay administrative and other priority claims. Because certain of the administrative and priority claims are asserted in unspecified amounts and, if allowed by the Bankruptcy Court, would have to be paid in full prior to any distribution to holders of beneficial interests in the Trust and because some of the unresolved disputed general unsecured claims seek unspecified amounts, it is not possible to express a range of the gross amount

or percentage of a potential distribution at this time.

IV. PROFIT ISLAND ROYALTIES

The Liquidating Trust has begun receipt of royalties from its lease of mineral rights at Profit Island, located in the Mississippi River north of Baton Rouge, Louisiana. Payments are received in arrears based upon production and sale. The monthly royalty payments received have been as follows: for the part month of May, 2007 and the full month of June, 2007: \$370,626.69; for the month of July, 2007: \$250,459.17; for the month of August, 2007: \$188,138.75. The Liquidating Trust has counsel and a consultant reviewing the ongoing rights and interests of the Liquidating Trust. The Trust will consider what steps to take to maximize the value of its interests in mineral rights at Profit Island.

V. CASH ON HAND

As of September 30, 2007, the Liquidating Trust had on hand a total of \$8,312,719. This amount does not include \$16,613 held in the NH Workers Compensation escrow account or \$188,631 (12/31/06 balance) in the NJ Environmental escrow since regulations prohibit Crown access to either of these accounts. This sum is subject to liquidated reserves for the unresolved disputed administrative and other priority claims which have been filed in liquidated amounts totaling \$564,963.48. This sum is subject to liquidated reserves for payment of the administrative claims expunged in error of \$24,872.04. This sum is subject to the administrative and other priority claims which remain pending with unspecified amounts claimed. Finally, this sum is the source of payment of ongoing costs and expenses of administration of the Trust.

VI. REMAINING TRUST ASSETS

The remaining assets of the Liquidating Trust consist of cash on hand (subject to administrative and other priority claims and ongoing administrative expenses), the continuing interest in Profit Island mineral rights and a litigation claim pending for recovery of fees and costs expended in connection with the PACE Union litigation described above, now pending in the United States District Court for the Northern District of California against Crown's former insurance carrier for directors and officers insurance and Crown's former insurance broker for breach of contract and tort claims. Defendants' motions to dismiss are pending and a Case Management Conference is scheduled for 10/26/07.