Court File No. CV-09-7966-00CL

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 SMURFIT-STONE CONTAINER CANADA INC., STONE CONTAINER FINANCE COMPANY OF CANADA II, 3083527 NOVA SCOTIA COMPANY, MBI LIMITED/LIMITÉE, 639647 BRITISH COLUMBIA LTD., B.C. SHIPPER SUPPLIES LTD., SPECIALTY CONTAINERS INC., FRANCOBEC COMPANY AND 605681 N.B. INC.

APPLICANTS

ELEVENTH REPORT OF THE MONITOR
DATED FEBRUARY 9, 2010

INTRODUCTION

1) By Order of this Honourable Court dated January 26, 2009, as amended and restated (the "**Initial Order**"), Smurfit-Stone Container Canada Inc. ("**SSC Canada**"), Stone Container Finance Company of Canada II ("**Finance II**"), 3083527 Nova Scotia Company, MBI Limited/Limitée, 639647 British Columbia Ltd., B.C. Shipper Supplies Ltd., Specialty Containers Inc., Francobec Company and 605681 N.B. Inc. (collectively, the "**Applicants**") obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The Initial Order also granted relief in respect of certain affiliated partnerships of the Applicants, namely Smurfit-MBI ("**SMBI**") and SLP Finance General Partnership (the "**Partnerships**" and, with the Applicants, the "**CCAA Entities**") and recognized the

Chapter 11 Proceedings (as defined below) as a "foreign proceeding" as defined in section 267 of the *Bankruptcy and Insolvency Act*, R.S.C., c. B-3, as amended (the "**BIA**"). The CCAA proceedings of the CCAA Entities are referred to herein as the "**CCAA Proceedings**".

2) Pursuant to the Initial Order, Deloitte & Touche Inc. ("**Deloitte**") was appointed monitor of the CCAA Entities as part of the CCAA Proceedings (the "**Monitor**").

3) On January 26, 2009, Smurfit-Stone Container Corporation ("**SSCC**" and together with its direct and indirect subsidiaries, the "**Company**" or "**Smurfit-Stone**") and certain of its direct and indirect subsidiaries, including Smurfit-Stone Container Enterprises Inc. ("**SSCE**") and the CCAA Entities (collectively, the "**U.S. Debtors**"), filed for bankruptcy protection pursuant to Chapter 11 of Title 11 of the *United States Code* (the "**Bankruptcy Code**") in the United States Bankruptcy Court (the "**U.S. Court**") for the district of Delaware (the "**Chapter 11 Proceedings**" and, with the CCAA Proceedings, the "**Proceedings**"). The Chapter 11 Proceedings in respect of the CCAA Entities have been recognized by this Honourable Court as a "foreign proceeding" under section 268 of the BIA. In addition, this Honourable Court recognized and gave full effect in Canada to the U.S. DIP Order in respect of the Partnerships under section 268 of the BIA. Information concerning the Chapter 11 Proceedings can be found at http://chapter11.epiqsystems.com/smurfit (the "**Epiq Website**"). Further information regarding Smurfit-Stone's restructuring activities can be found on the Company's website at http://www.smurfit.com/content/company/restructuring/. Smurfit-Stone has also established a hotline at 1-877-264-9638 for creditors and other interested parties to call with any questions or concerns in regards to the Company.

4) On December 23, 2009, this Honourable Court issued a Stay Extension Order which extended the stay provided for in the Initial Order in respect of the CCAA Entities until February 26, 2010.

5) The Initial Order, together with certain other court documents, the previous reports of the Monitor (the "**Previous Reports**"), and the Notice to Creditors dated February 3, 2009, are posted on the Monitor's website at www.deloitte.com/ca/smurfitstonecanada (the "**Monitor's Website**"). The Monitor has also established a toll free number at 1-866-859-6954 for creditors and other interested parties to call with any questions or concerns in regards to the CCAA Proceedings.

PURPOSE

6) The purpose of this report ("**Eleventh Report**") is to provide this Honourable Court with an update in respect of the claims process and an overview of the Plan (as defined below) filed by the Company, as well as to comment on the Plan Filing and Meeting Order (and the incorporated notice and disclosure provisions) being sought by the CCAA Entities.

7) Unless otherwise provided, capitalized terms not defined in this Eleventh Report are as defined in the Previous Reports or, if not defined therein, the Initial Order.

TERMS OF REFERENCE

8) In preparing this Eleventh Report, the Monitor has relied upon unaudited financial information, the Company's books and records, the financial information prepared by the Company and its advisors, and discussions with management, legal counsel and financial advisors of the Company. The Monitor has not audited, reviewed, or otherwise attempted

to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Eleventh Report.

9) Certain of the information referred to in this Eleventh Report consists of forecasts and/or projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future oriented financial information referred to in this Eleventh Report was prepared by the Company and its advisors based on management's estimates and assumptions. Readers are cautioned that since forecasts are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the forecasts and, even if the assumptions materialize, the variations could be significant.

10) Unless otherwise noted, all dollar amounts contained in this Eleventh Report are expressed in U.S. dollars.

UPDATE ON CLAIMS PROCESS

11) As noted in the Tenth Report, Epiq received approximately 4,750 claims that did not specify a particular debtor. In accordance with the Claims Determination Order, the Company and the Monitor are in the process of reviewing the Proofs of Claim filed against the CCAA Entities, as well as the claims that have not specified a specific debtor.

12) The Company anticipates completing its review of all of the claims filed against the U.S. Debtors (including the CCAA Entities) by February 28, 2010. A more fulsome analysis of claims will be provided at a later date as part of the Monitor's analysis of the Plan.

13) As of the date of this report, 142 notices of revision/disallowance have been issued that have not been resolved.

14) In addition, in reviewing the filed claims, the Company has identified 101 claims against the CCAA Entities as contingent or unliquidated. Of these, five claims were filed against all of the U.S. Debtors. The balance of these claims relate to the various pension and retirement plans of the CCAA Entities.

15) As noted in the Sixth and Tenth Reports, Her Majesty the Queen in right of Canada, as represented by the Minister of National Revenue, filed a number of placeholder claims in the claims process. As at December 31, 2009, SSC Canada is owed approximately CDN$7.5 million in post-filing GST refunds and CDN$15.1 million in post filing QST refunds, which are being withheld pending resolution of pre-filing Claims against SSC Canada by these taxing authorities. The Company and representatives of the CRA and Ministere du Revenu du Quebec continue to negotiate regarding the CCAA Entities' tax liabilities, which discussions have included, amongst other things, a review of the Company's transfer pricing policy.

PLAN DEVELOPMENTS

16) Since early December, the Monitor has had ongoing discussions with the Company and its advisors regarding the valuation of the Canadian assets, the composition of the secured and unsecured debt, intercompany balances, taxing authority claims and how each are to be treated in the proposed Joint Plan of Reorganization for Smurfit-Stone Container Corporation and its Debtor Subsidiaries, and Plan of Compromise and Arrangement for Smurfit-Stone Container Canada Inc. and Affiliated Canadian Debtors (a copy of which

is attached as Exhibit "A" to the Affidavit of Dean Jones dated February 5, 2010) (the "**Plan**").[1]

17) On December 4, 2009, the Company and its advisors provided the Monitor with the Company's first draft of an illustrative recovery waterfall that provided preliminary estimates of value for SSC Canada and SMBI prior to the resolution of the review and admittance of claims. The key elements of the illustrative recovery waterfall included the repayment of the Canadian pre-filing secured facility in full since the Canadian security covers all of the assets of SSC Canada and SMBI (as well as all of the assets of certain of the other CCAA Entities).

18) The Monitor has reviewed the assumptions underlying the Company's valuation to assess the reasonableness of the total Canadian asset valuation assigned by the Company and its advisors. In addition, the Monitor has prepared its own going concern valuation range using a discounted cash flow and market based analysis as well as the value of the working capital and non-core assets.

19) The Monitor continues to review the Plan with the Company and its advisors as part of the Plan process in advance of the CCAA creditors' meeting.

20) The Monitor will report separately on its valuation and recovery analysis and provide a more detailed analysis of the Plan in a report to be filed with this Honourable Court at a later date.

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[1] On January 29, 2010, the U.S. Court issued an Order Approving the Disclosure Statement, establishing procedures for the solicitation and tabulation of votes to accept or reject the Plan, scheduling a hearing to consider the Plan, and establishing notice and objection procedures.

OVERVIEW OF THE PLAN

21) The Plan contemplates a newly incorporated Canadian company ("**Canadian Newco**") controlled by a reorganized SSCC purchasing the assets of SSC Canada, SMBI, MBI Limited, B.C. Shippers Ltd. and Francobec Company pursuant to an asset purchase agreement in exchange for the repayment in full of the Canadian pre-filing secured facility, the payment in full of certain other secured and priority claims, and cash funding for two distribution pools to be established for the unsecured creditors of SSC Canada and SMBI, as discussed in greater detail below. Canadian Newco will assume the obligations of SSC Canada, SMBI, MBI Limited, B.C. Shippers Supplies Ltd. and Francobec Company under the Canadian collective bargaining agreements, the Canadian Pension Plans (as defined in the Plan) (including all unfunded liabilities thereof) and the Canadian employee benefit plans.

22) The Plan provides for five classes of secured creditors (one class for each of SSC Canada, SMBI and the other CCAA Entities that guaranteed the Canadian pre-filing secured facility) and three classes of unsecured creditors (one class for each of SSC Canada, SMBI and Finance II).

23) The treatment of unsecured creditors of SSC Canada and SMBI depends on the identity of the debtor against which the unsecured creditor asserted a claim and the total value of claims filed against such debtor. There will be two cash distribution pools established, each in the amount of $19.5 million: one for the unsecured creditors of SSC Canada; and one for the unsecured creditors of SMBI.

24) The Plan also provides for a "convenience claim" option for general unsecured creditors of SSC Canada and SMBI that are owed less than $5,000 that will see them receive payment in full of their claim. This option is also available to general unsecured creditors of SSC Canada and SMBI that have claims in excess of $5,000 if, in lieu of their pro rata distribution from the respective distribution pool, they elect to receive $5,000 in full satisfaction of such claim.

25) Unsecured creditors (i.e. noteholders) of Finance II, in addition to a pro rata distribution of shares of a reorganized SSCE on account of their guarantee claim against SSCE, will receive a pro rata share of any shares of a reorganized SSCC that Finance II is entitled to on account of Finance II's contribution claim against SSCE. The Monitor understands that the merits of the contribution claim will be considered by the U.S. Court in due course. The Plan provides for no recovery on account of the Finance II intercompany claim against SSC Canada unless an appeal court subsequently determines that such claim is a debt provable in bankruptcy, in which case the Finance II intercompany claim shall, if the Plan is rejected by the general unsecured creditors of SSC Canada or SMBI, be treated as an allowed intercompany claim against SSC Canada, or, if the Plan is approved by the general unsecured creditors of SSC Canada and SMBI, receive a distribution determined by the applicable Court.

26) For the general unsecured creditors of SSC Canada and Smurfit-MBI to receive their pro-rata share of their respective distribution pools (or payment of their convenience claims), the required majority of unsecured creditors of both SSC Canada and SMBI must approve the Plan. In the event that either or both of the unsecured creditors of SSC Canada and the unsecured creditors of SMBI fail to approve the Plan by the required

majority, or the Plan is not sanctioned by this Honourable Court, then the Plan provides for a sale process for the Canadian Assets.

27) Any bid for the Canadian assets as part of such sale process must include the repayment in full of the Canada pre-filing secured facility plus accrued interest and fees, the payment in full of certain other secured and priority claims, and the assumption of all existing and future obligations of SSC Canada and SMBI under the Canadian collective bargaining agreements, the Canadian Pension Plans (including all unfunded liabilities thereof) and the Canadian Employee Benefit Plans.

28) In the event that there is no competing bid for the Canadian assets, then the Canadian assets will be transferred to Canadian Newco pursuant to the terms of the asset purchase agreement, except that the consideration for the Canadian assets will not include any cash for the two distribution pools for the unsecured creditors of SSC Canada and SMBI. In the event that competing bids are received, the Monitor will supervise an auction for the Canadian assets and Canadian Newco shall be entitled to participate in the auction.

29) The Plan remains subject to modification and amendment in accordance with its terms.

PUBLICATION OF NOTICES AND MAILINGS FOR THE CCAA CREDITORS' MEETING

30) The Monitor will publish as soon as practicable on its website at www.deloitte.com/ca/smurfitstonecanada copies of the following documents (collectively, the "**Meeting Materials**"):

i) a notice of the CCAA Creditors' Meeting and Sanction Hearing substantially in the form attached to the Affidavit of Dean Jones as Exhibit "B";

ii) the Plan;

iii) the various forms of joint Proxy/Ballots and instructions, substantially in the forms attached to the Affidavit of Dean Jones as Exhibit "C" ;[2]

iv) the Disclosure Statement, Confirmation Hearing Notice, Voting Procedures Order and Official Unsecured Creditors' Committee in the Chapter 11 Proceedings statement of support for the Plan in the Chapter 11 Cases; and

v) related Court Orders.

31) The Monitor will cause a copy of the Meeting Materials (excluding the Beneficial Proxy/Ballot and the Master Proxy/Ballot) on CD-ROM to be sent to all Voting Creditors (as defined in the Plan Filing and Meeting Order), excluding Beneficial Noteholders, as of the record date of February 5, 2010 (the "**Record Date**") by prepaid first-class mail or courier. As noted in Prior Reports, Smurfit-Stone has engaged the services of Epiq for creditor notification and the posting on the Epiq website of the various motion records and orders in the Chapter 11 Proceedings. Due to the joint filings in Canada and the U.S., the Monitor, Smurfit-Stone, and their respective legal counsel have agreed to have Epiq perform the mailing of the Plan, the Disclosure Statement, the forms of

[2] A dual proxy/ballot for purposes of the both these CCAA Proceedings and the Chapter 11 Proceedings has been developed in light of the fact that the CCAA Entities are also U.S. Debtors. The proxy/ballot provides the creditor with the ability to nominate a proxy holder for purposes of the CCAA creditors' meeting as well as to cast a vote to approve or reject the Plan in the Chapter 11 Proceedings.

Proxy/Ballot, Master Proxy/Ballot and Beneficial Proxy/Ballot, and the Notice of Meeting.

32) Proxy/Ballots, Master Proxy/Ballots and Beneficial Proxy/Ballots are to be received by the Monitor by no later than March 29, 2010, the results of which will be used at the CCAA creditors' meeting in the tabulation of the votes either for or against the Plan.

33) The Creditors' Meeting to consider and vote on the Plan will be held on April 6, 2010, and the sanction hearing is presently anticipated to be on April 14, 2010.

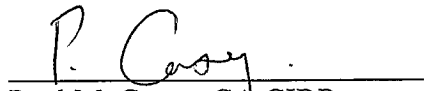
MONITOR'S RECOMMENDATION

34) The Monitor has reviewed the proposed form of Plan Filing and Meeting Order and the various meeting materials incorporated therein and supports the granting of the Plan Filing and Meeting Order.

35) As noted above, the Monitor continues to review Claims and discuss the Plan with the Company and will provide a more fulsome analysis of the Plan to this Honourable Court in advance of the March 29, 2010 deadline for returning Proxy/Ballots to the Monitor.

All of which is respectfully submitted at Toronto, Ontario this 9th day of February, 2010.

DELOITTE & TOUCHE INC.
in its capacity as the Monitor
of Smurfit-Stone Container Canada Inc., *et al.*

Per: 

Paul M. Casey, CA·CIRP
Senior Vice-President

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Proceeding commenced at Toronto

ELEVENTH REPORT OF THE MONITOR DATED FEBRUARY 9, 2010

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