

**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

**FOURTEENTH REPORT OF THE MONITOR
DATED MARCH 26, 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, 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**"). Information concerning the Chapter 11 Proceedings can be found on the website of Epiq Systems, Inc. ("**Epiq**"), the Company's claims and noticing agent, at: <http://chapter11.epiqsystems.com/smurfit>. Further information regarding Smurfit-Stone's restructuring activities can be found on the Company's website at <http://www.smurfit.com/content/company/restructuring/>.
- 4) On February 10, 2010, this Honourable Court issued a Plan and Meeting Order which accepted the filing of the Joint Plan of Reorganization for SSCC and its Debtor Subsidiaries and Plan of Compromise and Arrangement for SSC Canada and Affiliated Canadian Debtors (the "**Plan**") and authorized and directed the CCAA Entities to convene a meeting of their Creditors to consider and vote on the Plan. The Monitor's analysis and recommendation to creditors in respect of the Plan is provided in the Thirteenth Report of the Monitor dated March 19, 2010 (the "**Thirteenth Report**").
- 5) On February 25, 2010, 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 May 6, 2010.
- 6) The Initial Order, together with certain other court documents, including the previous reports of the Monitor (the "**Previous Reports**"), Notice to Creditors dated February 3, 2009, and claims process materials 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.

Information concerning the Chapter 11 Proceedings can be found at <http://chapter11.epiqsystems.com/smurfit>. 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.

PURPOSE

- 7) The purpose of this fourteenth report ("**Fourteenth Report**") is to provide this Honourable Court with an overview of the proposed sale by MBI Limited/Limitée, as general partner of SMBI, of the Whitby Property (as defined below) to 2119342 Ontario Inc. (the "**Purchaser**") pursuant to an Agreement of Purchase and Sale dated March 4, 2010, as amended on March 19, 2010 (the "**Sale Agreement**"), and to provide the Monitor's support thereof.

TERMS OF REFERENCE

- 8) In preparing this Fourteenth 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 Fourteenth Report.
- 9) Certain of the information referred to in this Fourteenth 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 Fourteenth 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 Fourteenth Report are expressed in Canadian dollars.
- 11) Unless otherwise provided, capitalized terms not defined in this Fourteenth Report are as defined in the Previous Reports, the Initial Order or the Sale Agreement.

BACKGROUND

- 12) Based in St. Louis and Chicago, Smurfit-Stone is a leading North American producer of paperboard products, market pulp, corrugated containers and other specialty packaging products. It is also one of the world's largest recyclers of paper.
- 13) As at the date of the Initial Order, Smurfit-Stone employed approximately 21,250 employees at 162 facilities across North America, China and Puerto Rico.
- 14) SSC Canada and SMBI are the principal Canadian operating companies. SSC Canada directly operates two containerboard mills which produce linerboard and corrugated medium respectively, and a laminating plant which coats certain grades of linerboard for use in food and beverage packaging. SMBI is a converting operation that produces corrugated containers using, amongst other inputs, linerboard and medium from Smurfit-Stone's mills and third party mills.

THE PREVIOUS SALE AND ITS TERMINATION

- 15) As noted in the Ninth Report of the Monitor dated November 28, 2009 (the "**Ninth Report**"), a copy of which is attached as Exhibit "C" to the Affidavit of Dean Jones sworn March 22, 2010 (the "**Jones Affidavit**"), following the closing of the Whitby corrugated container facility in the fall of 2008, SMBI, with the assistance of Avison Young, listed the land and the existing industrial building (but not the associated equipment) located at 220 Water Street, Whitby, Ontario (the "**Whitby Property**") for sale in October 2008.
- 16) A marketing process was undertaken by Avison Young between October 2008 and September 2009, which included, amongst other things, advertisements in local newspapers, a marketing package being sent to developers and manufacturing companies

in the Greater Toronto Area, and an extensive cold calling campaign to significant businesses in the Whitby area. These efforts culminated in SMBI agreeing to sell the Whitby Property for a purchase price of \$2,150,000 in September 2009. As outlined in the Ninth Report, the sale was highly conditional; however, in the view of Company management and Avison Young, it was the best available option for the Whitby Property at that time. The sale was approved by this Honourable Court on December 1, 2009.

- 17) The Company terminated the previous sale agreement for the Whitby Property on January 19, 2010, following efforts by the purchaser to reduce the agreed upon purchase price, as detailed in the Jones Affidavit.

THE NEW SALE AGREEMENT

- 18) Following the termination of the previous transaction, the Monitor understands that Avison Young recommenced the marketing process for the Whitby Property which ultimately culminated in the Purchaser agreeing to purchase the Whitby Property.
- 19) The Purchaser, who operates under the name MTC Services, is an established Whitby-area company that provides warranty and other repair services for electronics and appliances and also sells refurbished electronics and appliances.
- 20) The Monitor has reviewed the Sale Agreement, the significant terms of which are as follows:
 - (a) Purchase Price: \$2,600,000, subject to adjustments typical of this type of real estate transaction;
 - (b) Deposit: The Initial Deposit of \$100,000 was paid by the Purchaser to Avison Young upon execution of the Sale Agreement and the Additional Deposit of \$100,000 shall be paid to Avison Young within two days of the condition described in subparagraph (c) below being satisfied. If the transaction contemplated by the Sale Agreement is not completed other than by reason of the Purchaser's termination in accordance with the terms of the Sale Agreement or by default of MBI Limited, MBI limited may at its option terminate the Sale Agreement and in such event the Deposit shall be paid and forfeited to it;

- (c) Due Diligence Condition: the Purchaser's obligation to purchase the Whitby Property is subject to and conditional upon the Purchaser reviewing such documents and materials and conducting such other examinations, inspections and investigations as it may consider necessary or desirable and being satisfied with same in its sole and absolute discretion. In the event this condition is not satisfied or waived by the Purchaser by April 21, 2010, the Initial Deposit shall be returned to the Purchaser and the Sale Agreement shall terminate;
 - (d) "As is, where is": Save for representations and warranties regarding: (i) the corporate status of MBI Limited; and (ii) the Whitby Property not being subject to any leases, subleases, other rights of occupation, or expropriation proceedings, the sale of the Whitby Property is on an "as is, where is" basis;
 - (e) Court Approval: the Sale Agreement is subject to the receipt of Orders of both this Honourable Court and the U.S. Court approving the sale and vesting title to the Whitby Property in the Purchaser free and clear of any and all claims and liens other than Permitted Encumbrances; and
 - (f) Closing: the Sale of the Whitby Property is expected to close on May 17, 2010.
- 21) The proposed Approval and Vesting Order in respect of the Whitby Property vests out certain specified encumbrances, namely a charge and a notice of general assignment of rents that relate to the security granted to the pre-filing secured lenders under the Prepetition Credit Documents (as defined in the Plan). The Monitor notes that the Plan provides for the Prepetition Canadian Lenders Claims (as defined in the Plan) to be paid in full, except that interest will be paid at non-default rates.

PROCEEDS OF THE TRANSACTION

- 22) The net sale proceeds of the Whitby Property will be used for working capital for SMBI (or its successor). The Monitor notes that the estimated value of the Whitby Property was incorporated into the estimated enterprise value for SMBI prepared by the Monitor and disclosed in the Thirteenth Report.

MONITOR'S RECOMMENDATIONS

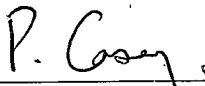
- 23) As previously reported to this Honourable Court, since the commencement of the CCAA Proceedings the CCAA Entities have been working towards divesting themselves of certain of their non-core assets and the Monitor is of the view that the sale of the Whitby Property is consistent with this strategy.
- 24) The Monitor notes that: (i) the Company, through Avison Young, has conducted an extensive marketing process in respect of the Whitby Property that initially began in October 2008; and (ii) the purchase price for the Whitby Property under the Sale Agreement is \$450,000 higher than the purchase price payable in connection with the previous transaction.
- 25) In light of the foregoing, the Monitor supports the Applicants' motion seeking an Order approving the Sale Agreement and vesting the Whitby Property in the Purchaser.

All of which is respectfully submitted at Toronto, Ontario this 26th day of March, 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

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.
C-36, AS AMENDED

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
SMURFIT-STONE CONTAINER CANADA INC., *et al.*

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(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**FOURTEENTH REPORT OF THE
MONITOR DATED MARCH 26, 2010**

GOODMANS LLP

Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Robert J. Chadwick (LSUC#: 35165K)
Christopher G. Armstrong (LSUC# 55148B)

Tel: 416.979.2211

Fax: 416.979.1234

Lawyers for the Monitor,
Deloitte & Touche Inc.