

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 THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SMURFIT-STONE CONTAINER
CANADA INC. AND THE OTHER APPLICANTS LISTED
ON SCHEDULE "A"

Applicants

NOTICE OF OBJECTION

MANUFACTURERS AND TRADERS TRUST COMPANY, in its capacity as trustee (the "**Indenture Trustee**") under an indenture dated as of July 20, 2004 with Stone Container Finance Company of Canada II ("**Finance II**") as issuer of certain 7 3/8% senior unsecured notes due July 15, 2014 (the "**Notes**"), objects to the motion of the Applicants seeking the CCAA Sanction Order as defined by the Order of the Honourable Justice Pepall made in these proceedings on February 10, 2010 (the "**Plan Filing and Meeting Order**"), returnable on May 3, 2010 at 10:00 a.m. or as soon after that time as the motion can be heard at 330 University Avenue, Toronto.

All terms not otherwise defined herein, have the meanings ascribed to them in the Plan Filing and Meeting Order.

THE GROUNDS FOR THIS OBJECTION ARE:

1. Paragraph 34 of the Plan Filing and Meeting Order provides:

THIS COURT ORDERS that any Person intending to object to the motion seeking the CCAA Sanction Order shall file with this Court, before 4:00 p.m. (Toronto Time) on the day that is five Business Days before the Sanction Hearing, a written notice containing a description of its proposed grounds of objection and shall effect service of same, within the same day, upon counsel to the Applicants and Partnerships and the CCAA Monitor, and upon the service list published on the CCAA Monitor's website at www.deloitte.com/ca/smurfitstonecanada.

2. The Indenture Trustee objects to the motion seeking the CCAA Sanction Order because the Plan is not fair and reasonable for, without limitation, the following reasons:

- (a) Article X of the Plan relating to Injunctions, Releases and Discharge inappropriately include claims by and against Finance II including its officers and directors. As the holders of Claims against Finance II voted against the Plan, there is no basis upon which Finance II and its directors and officers should give or receive the benefit of the provisions contained in Part X of the Plan;
- (b) a distribution under the Plan to the Unsecured Creditors of SSC Canada would unfairly render moot the application of Aurelius Capital Management, LP and Columbus Hill Capital Management, L.P. (collectively, the "**Fund Managers**") for leave to appeal to the Supreme Court of Canada from, among other things, the Order of the Ontario Court of Appeal denying leave to appeal the Order of this Honourable Court dated January 28, 2010 that the approximately \$200 million intercompany claim by Finance II against SSC Canada (the "**Intercompany**

Claim") is not a debt provable in bankruptcy (the "**Characterization Order**");
and

- (c) such other reasons as counsel may advise.

Injunctions, Releases and Discharge

3. Article X of the Plan provides for, among other things, the release and discharge of all claims by and against the Debtors, including Finance II, and their respective directors and officers.
4. At the CCAA Creditors' Meeting, the Plan was not approved by the requisite majorities of Affected Unsecured Creditors of Finance II.
5. Finance II and its directors and officers should not give or receive the benefits of Part X of the Plan in circumstances where its creditors did not approve the Plan.

Distribution Under the Plan

6. Pursuant to the Characterization Order, this Honourable Court determined that the approximately \$200 million intercompany claim by Finance II against SSC Canada (the "**Intercompany Claim**") was not a debt claim provable in bankruptcy.
7. The Fund Managers sought leave to appeal, among other things, the Characterization Order. The Court of Appeal denied leave to appeal.
8. The Fund Managers applied to the Supreme Court of Canada for leave to appeal the Court of Appeal's decision to deny leave (the "**SCC Leave Application**"). Responding

materials are due May 21, 2010. To date, the Applicants have not delivered any responding materials.

9. The Plan provides that Finance II shall receive a distribution under the Plan on account of the Intercompany Claim if the Canadian appeals court determines that the Intercompany Claim is a debt provable in bankruptcy.
10. At the CCAA Creditors' Meeting, the Monitor confirmed that the Fund Managers were pursuing the Intercompany Claim in the Chapter 11 Cases and still had appeal rights available to them in Canada.
11. While the Fund Managers' SCC Leave Application is outstanding, any distribution under the Plan to the Unsecured Creditors of SSC Canada would be premature, contrary to the express provisions of the Plan and would render moot the SCC Leave Application.

April 26, 2010

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SCHEDULE "A"

APPLICANTS

Smurfit-Stone Container Canada Inc.

3083527 Nova Scotia Company

MBI Limited/Limitee

639647 British Columbia Ltd.

B.C. Shipper Supplies Ltd.

Specialty Containers Inc.

605681 N.B. Inc.

Francobec Company

Stone Container Finance Company of Canada II

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

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SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

NOTICE OF OBJECTION

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