

**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

**TENTH REPORT OF THE MONITOR
DATED DECEMBER 8, 2009**

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 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, SSCC (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. (“**SSC U.S.**”) and the CCAA Entities (collectively, the “**U.S. Debtors**”), filed for bankruptcy protection pursuant to Chapter 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 February 24, 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 April 30, 2009, which stay was further extended to June 30, 2009, by a Stay Extension Order dated April 28, 2009, to September 30, 2009, by a Stay Extension Order dated June 25, 2009, and to December 24, 2009, by a Stay Extension Order dated September 25, 2009.
- 5) On March 12, 2009, this Honourable Court issued an Order approving a cross border insolvency protocol between the U.S. Court and this Honourable Court.

- 6) On June 25, 2009, this Honourable Court issued a Claims Procedure Order (the “**Claims Procedure Order**”) in respect of the CCAA Entities establishing a claims bar date of August 28, 2009 (the “**Claims Bar Date**”).
- 7) On August 17, 2009, this Honourable Court issued an Order approving the sale of approximately 962,204 acres of timberlands (“**Timberlands**”) in the Province of Québec to Gestion Forestière du Saint-Maurice Inc., a subsidiary of Société Générale de Financement du Québec (“**SGF**”).
- 8) On November 6, 2009, this Honourable Court issued a Claims Determination Order (the “**Claims Determination Order**”) approving the procedures for the acceptance, revision, disallowance or consensual resolution of Proofs of Claims filed.
- 9) On December 1, 2009, this Honourable Court issued an Order approving the sale of a container plant property in Edmonton, Alberta (“**Edmonton Property**”) to General Realty Group Ltd., and the sale of a corrugated container facility in Whitby, Ontario (the “**Whitby Property**”) to Andreas Apostolopoulos in trust.
- 10) 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

- 11) The purpose of this report (“**Tenth Report**”) is to provide this Honourable Court with an update in respect of the following matters and to provide the Monitor’s recommendation with respect to the CCAA Entities’ pending request for an extension of the stay period to February 26, 2010:
 - i) ongoing operations of the CCAA Entities;

- ii) Chapter 11 Proceedings;
- iii) DIP Facility;
- iv) critical suppliers and pre-CCAA expenses;
- v) pension and other employee matters;
- vi) cash flow forecast and results relative to forecast;
- vii) revised cash flow forecast;
- viii) restructuring efforts to date;
- ix) claims process;
- x) other matters; and
- xi) Monitor's recommendation.

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

TERMS OF REFERENCE

- 13) In preparing this Tenth 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 Tenth Report.
- 14) Certain of the information referred to in this Tenth 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 Tenth 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.

- 15) Unless otherwise noted, all dollar amounts contained in this Tenth Report are expressed in U.S. dollars.

ONGOING OPERATIONS

- 16) Since January 26, 2009, the CCAA Entities have worked diligently to stabilize their operations and have maintained operations in the normal course during the CCAA Proceedings. Smurfit-Stone continues to sell products to its customers and has obtained the necessary supplies from its suppliers.

CHAPTER 11 PROCEEDINGS

- 17) The Sixth Report of the Monitor dated September 22, 2009 (the "**Sixth Report**"), reported on the significant orders issued by the U.S. Court from June 23, 2009, to September 22, 2009. Since then, the following significant orders have been issued by the U.S. Court which relate to the CCAA Entities:

- i) on September 30, 2009, an Order Approving the Sale of De Minimis Assets relating to the sale of real property located as 150 chemin Saint Edgar, New Richmond, Quebec;¹
- ii) on October 19, 2009, an Order authorizing the rejection of certain executory contracts and unexpired leases, including a sales agreement with a counterparty

¹ Paragraph 11(a) of the Initial Order states that the Applicants and Partnerships have the right to dispose of redundant or non material assets not exceeding \$2 million in any one transaction or \$25 million in the aggregate. The gross proceeds of sale for the New Richmond mill are \$1.6 million.

located in Monroeville, Pennsylvania which SSC Canada (along with SSC U.S.) was a party to;

- iii) on November 6, 2009, a Stipulated Protective Order governing the production of confidential materials by the U.S. Debtors to Aurelius Capital Management, LP and Columbus Hill Capital Management, L.P.;
- iv) on November 16, 2009, an Order authorizing the rejection of certain executory contracts and unexpired leases, of which the CCAA Entities were parties to a sales contract with a counterparty located in Burlington, Ontario, and customer service agreements and an equipment lease with a counterparty located in Stoney Creek, Ontario; and
- v) on December 2, 2009, an Order Approving the Sale of De Minimis Assets relating to the sale of a dormant mill in Portage-du Fort, Quebec.²

18) Copies of the U.S. Orders and other documents in the Chapter 11 Proceedings are posted on the Epiq Website. A link to the Epiq Website is also available from the Monitor's Website.

DIP FACILITY

19) As outlined in the Previous Reports, the Company entered into the DIP Credit Agreement with the DIP Lenders. The DIP Facility provides for an aggregate of \$750.0 million in DIP financing for Smurfit-Stone under both revolving and term facilities.

² Paragraph 11(a) of the Initial Order states that the Applicants and Partnerships have the right to dispose of redundant or non material assets not exceeding \$2 million in any one transaction or \$25 million in the aggregate. The gross proceeds of sale for the Portage-du Fort mill are \$1.8 million.

- 20) As at November 13, 2009, there have not been any net additional borrowings by SSC Canada under the DIP Facility since the filing of the Sixth Report. As of the date of this Tenth Report, SSC Canada has outstanding borrowings of \$7.2 million under the Canadian term loan facility (which funds were originally borrowed to fully repay and unwind the Canadian A/R Securitization Program). There are no outstanding borrowings under the Canadian DIP revolving facility.

- 21) As at November 13, 2009, there had not been any additional borrowings by SSC U.S. under the DIP Facility since the filing of the Sixth Report. Since September 22, 2009, SSC U.S. has made additional voluntary repayments on the DIP Facility, including a payment on November 30, 2009, that settled the remaining outstanding balance of \$43.0 million on the U.S. term loan portion of the DIP Facility. There are no outstanding borrowings under the U.S. revolving credit facility.

- 22) The DIP Credit Agreement requires that the Company provide weekly and monthly combined Borrowing Base Certificates to the DIP Agent for both the Canadian Loan Parties and U.S. Loan Parties (each as defined in the DIP Credit Agreement). The Borrowing Base Certificate determines the available borrowing base (which includes certain qualifying accounts receivable, inventory and property plant and equipment) to support the borrowings by the Canadian Loan Parties and the U.S. Loan Parties under the DIP Facility. Pursuant to Section 24(d) of the Initial Order, the Monitor has reviewed the borrowing base information provided by Smurfit-Stone to the DIP Agent up to and including November 27, 2009. The Monitor is not aware of any events of default with respect to the DIP Credit Agreement.

- 23) The CCAA Entities currently enjoy a good liquidity position. Including the cash on hand as of November 13, 2009, and the approximately \$10.1 million of adjusted net proceeds expected to be received from the sale of the New Richmond, Pontiac, Bathurst, Edmonton and Whitby facilities, and the balance of the funds in the amount of \$900,000 to be received from the Timberlands sale, the CCAA Entities are projecting surplus liquidity to fund future operations. The sales of the Pontiac and Bathurst facilities were discussed in the Sixth Report.

CRITICAL SUPPLIERS AND PRE-CCAA EXPENSES

- 24) Paragraph 6(c)(i) of the Initial Order permits the CCAA Entities, with the consent of the Monitor and the DIP Agent, to pay for goods and services supplied to them prior to January 26, 2009, by railways, trucking companies and other carriers and customs brokers. For the interim period from September 5, 2009 to December 4, 2009, no further payment consents were requested. For the period from January 26, 2009 to November 13, 2009, the Monitor has consented to total payments of approximately \$1.7 million, of which all has been paid.
- 25) Paragraph 6(c)(ii) of the Initial Order permits the CCAA Entities, with the consent of the Monitor and the DIP Agent, to pay pre-filing amounts owed to other suppliers up to an aggregate amount of \$11.6 million if, in the opinion of the CCAA Entities, the supplier is critical to the business and ongoing operations of the CCAA Entities. For the period September 5, 2009, to November 13, 2009, the Monitor has consented to payments to critical suppliers in the approximate amount of \$1.5 million. For the period January 26, 2009, to November 13, 2009, the Monitor has consented to total payments of approximately \$3.9 million, all of which has been paid.
- 26) For the interim period from November 14, 2009, to December 4, 2009, the Monitor has consented to further payments of approximately \$500,000 relating to paragraph 6(c)(ii) of the Initial Order, all of which has been paid and has been included in the November Revised Cash Flow Forecast (as hereafter defined in this Tenth Report).

PENSION AND OTHER EMPLOYEE MATTERS

- 27) As outlined in the Previous Reports, the CCAA Entities have various pension and other employee benefit plans in place for their current and former employees. The status of the payments under these plans since the commencement of the CCAA Proceedings is as follows:
- i) SSC Canada and Smurfit-MBI have continued to make current service contributions in respect of their defined benefit registered pension plans during the CCAA Proceedings, but have not made any special payments; and
 - ii) SSC Canada has continued to match employee contributions to group registered retirement savings plans.
- 28) SSC Canada and Smurfit-MBI have paid certain outstanding pre-filing obligations with respect to the various benefit programs in place for their active employees and retirees. SSC Canada and Smurfit-MBI are continuing to work with their advisors to address various pension matters.
- 29) The SSC Canada and Smurfit-MBI non-unionized plans have been amended to reflect previously agreed to changes that provide that all active non-unionized members of the plans will accrue, starting March 1, 2009, defined contribution benefits instead of defined benefits to their pension plan.
- 30) A motion was brought by the Communications, Energy and Paperworkers Union of Canada (the “CEP”) on October 9, 2009, seeking an Order that would require SSC Canada to file with the Régies des Rentes du Québec an amended copy of a registered defined benefit plan that certain employees and retirees of SSC Canada who are members (or former members) of the CEP participate in as a means of implementing certain pension indexation improvements provided for in collective agreements between the CEP and SSC Canada. This Honourable Court has reserved its decision on this motion.

CASH FLOW FORECAST AND RESULTS RELATIVE TO FORECAST

- 31) SSC U.S. and SSC Canada continue to receive payments of receivables on behalf of each other. The Company continues to track the intercompany receivables and payables on a daily basis and respective balances are settled once per month. The Monitor has confirmed that the last such settlement was made on October 30, 2009, for the September intercompany accounts. The settlement of intercompany balances for the month of October occurred during the week of December 4, 2009.
- 32) The CCAA Entities' cash receipts and disbursements for the interim period September 5, 2009 to November 13, 2009 (the "**Variance Period**"), are presented below with a comparison to the cash flow forecast filed with this Honourable Court in the Sixth Report.
- 33) Overall, there is a \$18.5 million favourable variance between the actual and forecast cash balance during the Variance Period. For the entire CCAA period from January 26, 2009, to November 13, 2009, the Company has had an overall net cash inflow of \$23.9 million and a positive foreign exchange adjustment of \$1.8 million. For the Variance Period from September 5, 2009 to November 13, 2009, the material components of this overall variance are:

SSC Canada Inc.
Schedule of Actual Versus Forecasted Cash Flow
(in US \$000's)
(Unaudited)

Description	For the 10 Week Period from September 5, 2009 to November 13, 2009			Cumulative Actual Receipts and Disbursements from January 26, 2009 to November 13, 2009 (\$)
	Cumulative Actual	Cumulative Forecast	Variance - Favourable (Unfavourable) (\$)	
Operating Cash Receipts				
Collection of Accounts Receivables - Third party	114,640	108,180	6,460	465,966
Collection of Accounts Receivables - Intercompany	66,961	64,912	2,049	244,240
Other Receipts - Third party	29,278	31,458	(2,180)	31,913
Other Receipts - Intercompany	334	-	334	22,640
Tax Refunds / Sales Taxes Collected & other	-	-	-	1,351
Total Operating Receipts	211,214	204,550	6,663	766,112
Operating Cash Disbursements				
Purchases - Container Board	(39,931)	(48,822)	8,891	(179,994)
Purchases of other raw materials and supplies	(51,215)	(55,274)	4,059	(178,441)
Non inventory purchases and overheads	(44,908)	(52,486)	7,578	(182,712)
Employee related costs and benefits	(33,795)	(35,092)	1,296	(136,401)
Capital Expenditures	(636)	(1,480)	844	(2,134)
Non operational mill costs	(2,303)	(4,639)	2,336	(6,574)
Restructuring Professional Fees	(1,006)	(4,258)	3,252	(2,967)
Applicant's share of centralized services costs	(1,220)	(1,220)	-	(4,999)
Other Disbursements	-	-	-	(1,695)
Total Operating Cash Disbursements	(175,016)	(203,271)	28,255	(695,916)
Net Operating Cash Inflow (Outflow)	36,198	1,279	34,919	70,196
Financing Cash Receipts				
Canadian DIP Loan Advance (Repayment)	(27,800)	(11,451)	(16,348)	7,200
Total Financing Cash Receipts	(27,800)	(11,451)	(16,348)	7,200
Financing Cash Disbursements				
Pre-Filing Secured Debt Interest	(2,021)	(2,045)	25	(10,463)
DIP Loan Fees and Interest	(665)	(617)	(48)	(11,458)
Repayment of A/R securitization loan	-	-	-	(31,600)
Total Financing Cash Disbursements	(2,685)	(2,662)	(23)	(53,521)
Net Financing Cash Inflow (Outflow)	(30,485)	(14,114)	(16,371)	(46,321)
Net Cash Inflow (Outflow)	5,713	(12,835)	18,547	23,875
Estimated Opening Cash Balance (1)	21,806	21,187	619	9,065
Intercompany Collection/(repayment), net	(779)	(8,352)	7,573	(6,199)
Closing Cash Balance	26,740	-	26,740	26,740

(1) Includes adjustments relating to foreign exchange and void cheques

Note: Subject to rounding differences

TOTAL OPERATING CASH RECEIPTS

34) There was an overall favourable variance of cash receipts of \$6.7 million during the Variance Period, which is primarily related to collections of higher than forecast sales at

the Pointe aux Trembles facility in August and September, and the timing of collections from various agricultural contracts in September. This overall favourable variance was partially offset by lower than forecast sales at Smurfit MBI converting facilities in September and the timing of other third party receipts now expected to be collected after the Variance Period.

ACCOUNTS RECEIVABLE - THIRD PARTY

- 35) The collection of accounts receivable from third parties was \$6.5 million higher than forecast, primarily due to \$3.5 million related to the collections from various agricultural contracts in September and \$3.2 million of higher than forecast sales at the Pointe aux Trembles facility. This favourable variance is partially offset by lower than expected sales volumes experienced by the CCAA Entities' converting operations.

OTHER RECEIPTS - THIRD PARTY

- 36) The unfavourable variance of approximately \$2.2 million primarily relates to \$2.8 million of proceeds from the sale of two non-operational mills now expected to be collected in the week of January 1, 2010, as further described in paragraph 55 of this Tenth Report. The Company collected approximately \$27.8 million from the sale of the Timberlands and a \$1.5 million dividend from a non-controlling interest. A further \$900,000 remains in the trust account of Quebec counsel to SSC Canada pending the completion of certain surveying work pertaining to the Timberlands.

PURCHASES OF CONTAINERBOARD

- 37) The favourable variance of \$8.9 million is primarily permanent in nature and is due to lower than expected rollstock purchases at the CCAA Entities' converting operations due to lower volumes in September and October, and a drawdown in existing rollstock inventory during the Variance Period.

PURCHASES OF OTHER RAW MATERIALS AND SUPPLIES

- 38) The favourable variance of \$4.1 million is due to lower than forecast volume at the La Tuque facility and the timing of related payments, partially offset by a build up in raw

materials inventory.

NON INVENTORY PURCHASES AND OVERHEADS

- 39) There is a favourable variance of \$7.6 million consisting of timing variances for customer rebates, repairs and maintenance, and lower shipping and selling costs due to lower sales volume during the Variance Period. A portion of the positive variance is considered permanent due to lower utility and fixed manufacturing costs. The positive variance is partially offset by expected GST and QST payments that were forecast in Purchases of Other Raw Materials and Supplies.

EMPLOYEE RELATED COSTS AND BENEFITS

- 40) The positive variance of approximately \$1.3 million is permanent in nature.

CAPITAL EXPENDITURES

- 41) There was a positive variance of \$844,000 related to the CCAA Entities' efforts to defer and minimize capital expenditures.

NON-OPERATIONAL MILL COSTS

- 42) The positive variance of \$2.3 million is related to lower than forecast plant and environmental costs associated with dormant mills, some of which have been sold but the sales have not yet closed, and is considered permanent. Of the \$2.3 million positive variance, \$1.5 million relates to savings resulting from the Edmonton facility closure costs. These cost savings are primarily permanent in nature and are due to lower than forecast closure costs and lower than forecast severance payments as a result of a number of hourly employees being transferred from the Edmonton facility to another Company facility in Calgary.

RESTRUCTURING PROFESSIONAL FEES

- 43) The positive variance of \$3.3 million is a timing difference which is expected to reverse once professional fee invoices are rendered and paid by the CCAA Entities.

CANADIAN DIP LOAN ADVANCE (REPAYMENT)

- 44) There was a variance of \$16.3 million related to the unforecast repayment of the DIP Facility in October 2009. The proceeds for these repayments were from the collection of \$27.8 million from the sale of the Timberlands as described in the Fifth Report and better than anticipated cash flow results. No advances were required under the revolving portion of the DIP Facility during the Variance Period.

OPENING CASH AND CLOSING CASH BALANCE

- 45) The opening cash balance as of September 5, 2009, was \$21.2 million and the closing cash balance as of November 13, 2009 was \$26.7 million, \$7.6 million of which is related to third party receivables collected on behalf of SSC U.S. that have or will be paid as part of the October and November intercompany settlements in the weeks ending December 4, 2009, and January 1, 2010, respectively. The forecast for the intercompany repayments to SSC U.S. includes known amounts collected by SSC Canada on behalf of SSC U.S. but does not include a forecast for potential amounts to be received by SSC Canada on behalf of SSC U.S.

REVISED CASH FLOW FORECAST

- 46) The Company and its financial advisor have provided the Monitor with a cash flow forecast for the fifteen week period from November 16, 2009, to February 26, 2010 (the "November Revised Cash Flow Forecast"), which is attached hereto as Schedule "A".
- 47) Management has advised the Monitor that there continues to be ongoing discussions with the Canada Revenue Agency ("CRA") regarding the collection of post filing refund amounts which are being withheld by the taxing authorities pending settlement of Proofs of Claims filed by CRA (as further described in paragraph 58 of this Tenth Report). As

the result, management has not forecast GST or QST refunds during this period.

- 48) The November Revised Cash Flow Forecast projects that the remaining balance owing on the DIP Facility of \$7.2 million will be fully repaid by January 1, 2010. A repayment of \$4.1 million is forecast to be made during the week of December 18, 2009 from the proceeds of approximately \$4.1 million from the Edmonton facility. The final repayment of the DIP is forecast to occur during the week of January 1, 2010 in the amount of \$3.1 million. The source of this repayment is the forecast proceeds of approximately \$7.0 million from the sales of the New Richmond, Pontiac, Bathurst, and Whitby facilities and the balance of the proceeds from the Timberlands sale.
- 49) The November Revised Cash Flow Forecast includes intercompany settlements that occur during the week ending December 4, 2009. Other intercompany settlements incorporated into the November Revised Cash Flow Forecast are scheduled for the weeks ending January 1, 2010, January 29, 2010 and February 26, 2010. The November Revised Cash Flow Forecast reflects total reimbursements of \$20.1 million of receivables that SSC Canada is forecast to collect on behalf of SSC U.S., which amounts include the \$7.6 million collected by SSC Canada as at November 13, 2009. Further, the November Revised Cash Flow Forecast provides for total intercompany collections of accounts receivable on behalf of SSC U.S. of \$17.3 million which is based on the Company's historical experience of such weekly collections.
- 50) During the forecast period, there are four monthly payments of \$610,000 forecast from SSC Canada to SSC U.S. for the CCAA Entities' allocated share of the costs of centralized services. These costs are forecast to be part of the monthly intercompany settlements between SSC U.S. and SSC Canada.
- 51) The November Revised Cash Flow Forecast also includes \$1.5 million for capital expenditures, \$2.2 million for non-operational facility costs (including additional Edmonton facility closure costs of \$847,000), \$2.7 million for pre-filing secured debt interest, \$623,000 for DIP Facility fees and interest, and \$6.4 million for restructuring professional fees.

- 52) The November Revised Cash Flow Forecast includes continued payments for the current service obligations of the CCAA Entities' various pension plans.
- 53) The November Revised Cash Flow Forecast includes a gross payment of approximately \$1.8 million in the week ending January 29, 2010 for approximately 160 Canadian employees who are participating in the Company's 2009 management incentive plan.³
- 54) For the week ending February 26, 2010, the Company projects that there will be a positive cash balance of \$11.8 million and that all the DIP Facility advances will be repaid.

RESTRUCTURING EFFORTS TO DATE

- 55) Since the commencement of the CCAA Proceedings, the Company has undertaken the following initiatives and actions in connection with its restructuring efforts in Canada:
- i) the Company has continued its efforts to sell non-core assets:
- as noted previously, the Company sold the Timberlands for \$27.8 million and used the proceeds to pay down the DIP Facility;
 - the Company has sold the Edmonton facility for CDN \$4.5 million and the sale is anticipated to close in the week ending December 18, 2009;
 - the Company has sold the Whitby facility for CDN \$2.15 million and the sale is anticipated to close in the week ending January 1, 2010;
 - as reported in the Sixth Report, the Company sold the following three

³ On April 22, 2009, the U.S. Court authorized the Company to implement its 2009 Management Incentive Plan ("MIP") and to implement the 2010 MIP on substantially the same terms as the 2009 MIP (including participant target level incentive bonuses, performance periods, and incentive bonus payout levels), subject to the development of the Company's financial goals for 2010 and related processes.

dormant mills, the closing dates for which have been delayed to allow the respective purchaser to put necessary insurance in place:

- Pontiac mill in Portage-du Fort, Quebec for a gross purchase price of approximately \$1.8 million with a revised closing date to occur in the week ending January 1, 2010;
 - the mill in New Richmond, Quebec, for a gross purchase price of approximately \$1.6 million with a revised closing date to occur in the week ending January 1, 2010; and
 - the mill in Bathurst, New Brunswick for a gross purchase price of approximately \$1.6 million with a revised closing date to occur in the week ending January 1, 2010;
- ii) as noted previously, the CCAA Entities have repudiated certain real property leases and other executory contracts; and
- iii) on December 1, 2009, the Company announced that the U.S. Debtors had filed a preliminary draft Joint Plan of Reorganization and Plan of Compromise and Arrangement (the "**POR**") and Disclosure Statement with the U.S. Court, which press release also indicated that the Company hoped to emerge from the Proceedings late in the first quarter, or early in the second quarter, of 2010. The POR is subject to further negotiations with, amongst others, the Monitor and the UCC and, once finalized, will be filed with this Honourable Court. The Monitor will provide a report in respect of the POR at that time.

CLAIMS PROCESS

- 56) This Honourable Court was advised by the Company's counsel that Epiq had 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.

- 57) In addition to the claims received directly by the Monitor, the Monitor is in the process of obtaining additional claims against the CCAA Entities from Epiq. Subject to further review and elimination of duplicate claims, etc., Epiq has provided the Monitor with the following summary of claims received up to and including November 5, 2009:

Entity	Number of Claims Received	Total US\$ Amount (in 000's) of Claims Received
Stone Finance II	22	\$ 2,293,251,525
Speciality Containers	25	\$ 2,092,062,061
SSCCI	804	\$ 2,393,668,366
Smurfit-MBI	613	\$ 2,221,576,122
B.C. Shipper Supplies Ltd.	52	\$ 2,091,825,459
3083527 Nova Scotia Company	19	\$ 2,091,843,313
Francobec Company	18	\$ 2,092,043,849
MBI Limited-Limitee	27	\$ 2,093,263,050
639647 BC Ltd.	21	\$ 2,092,379,619
SLP Finance General Partnership	18	\$ 2,092,043,849
605681 N.B. Inc.	19	\$ 2,094,096,769
SMBI Inc.	14	\$ 2,110,773,238
No Debtor Specified by Creditor	4,749	\$ 254,852,403
Claim Specified Against All Debtors	8	\$ 1,393,744,573
Total	6,409	\$ 27,407,424,193

- 58) As noted in the Sixth Report, Her Majesty the Queen in right of Canada, as represented by the Minister of National Revenue, had filed a number of placeholder claims in the claims process. SSC Canada is presently owed approximately CDN\$6.4 million in post-filing GST refunds and CDN\$12.5 million in post filing QST refunds. As noted above, the Company and representatives of CRA and Ministere du revenue du Quebec have been involved in ongoing discussions regarding the CCAA Entities' tax liabilities, which discussions have included, amongst other things, a review of the Company's transfer pricing regime. As noted above, the November Revised Forecast does not include the receipt of GST or QST refunds or payment of any CRA assessments due to the uncertainty of the timing of settlement.

OTHER MATTERS

- 59) On October 7, 2009, this Honourable Court heard a motion from Aurelius Capital Management, LP and Columbus Hill Capital Management, L.P. which sought, amongst other things, an Order: (i) declaring that the interests of the officers and directors of Finance II, the Monitor and counsel to the CCAA Entities conflict irreconcilably with the interests of Finance II; (ii) declaring that counsel to the CCAA Entities cannot continue to act for Finance II; (iii) directing the officers and directors of Finance II to file an assignment in bankruptcy under the BIA; and (iv) discharging the Monitor vis-à-vis Finance II. Reference is made to the Seventh Report for further background on this matter.
- 60) On October 20, 2009, this Honourable Court dismissed this motion and requested that the interested parties address the appropriate process for determining whether the claim of Finance II against SSC Canada is a claim in respect of debt or equity.
- 61) Appointments were held in Court chambers on November 6, 2009, and November 23, 2009, to discuss this process and a motion is scheduled for December 11, 2009 to determine the status of Finance II's claim.
- 62) On November 30, 2009, Aurelius Capital Management, LP and Columbus Hill Capital Management, L.P., served a Notice of Motion for leave to appeal the Order of this Honourable Court dated November 23, 2009 and have brought a motion before the Ontario Court of Appeal seeking to stay the November 23, 2009 Order pending the hearing of the leave to appeal the motion or, if leave is granted, until the disposition of the appeal.

MONITOR'S RECOMMENDATION


- 64) The stay provided for by the Stay Extension Order of this Honourable Court dated September 25, 2009, extended the stay period provided for in the Initial Order to December 24, 2009. In order to allow the Company sufficient time to continue the restructuring of its business, the CCAA Entities are requesting a further stay to February 26, 2010.
- 65) The Monitor observes that Company management is working to realize on its non-core assets, reduce its costs, and manage the financial and operational aspects of the Company with a view to enhancing the long term viability of the Company. Significantly, the Company has also filed its draft, preliminary POR with the U.S. Court which represents a concrete step towards its emergence from the Proceedings.
- 66) The Company is operating in a manner consistent with its business plan and financial projections and the Monitor is not aware of any material unforecasted changes to its operations in Canada or the U.S. since the commencement of the Proceedings.
- 67) The Monitor is of the view that the Company has acted, and continues to act, in good faith and with due diligence. Accordingly, the Monitor respectfully recommends that this Honourable Court approve the extension of the stay period to February 26, 2010.

All of which is respectfully submitted at Toronto, Ontario this 8th day of December, 2009.

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

SCHEDULE "A"

SSC Canada Inc.

Cash Flow Forecast for the 15 week period from November 14, 2009, to February 26, 2010

SSC Canada Inc.
Combined Cash Flow Forecast for the 15 week period November 14, 2009 to February 26, 2010
(Unaudited)
(In \$'000 USD)

	20-Nov	27-Nov	4-Dec	11-Dec	18-Dec	25-Dec	1-Jan	8-Jan	15-Jan	22-Jan	29-Jan	5-Feb	12-Feb	19-Feb	26-Feb	15 week total	
Receipts																	
Collection of Accounts Receivables - Third party	11,527	10,208	10,217	10,289	10,385	10,393	10,385	10,294	9,691	9,291	9,289	9,293	9,358	9,494	9,516	149,628	Note 1
Collection of Accounts Receivables - Intercompany	-	-	34,667	-	-	-	33,883	-	-	-	34,178	-	-	-	39,292	142,019	Note 2
Other Receipts - Third party	-	-	-	-	4,091	-	6,964	-	-	-	-	-	-	-	-	11,055	Note 3
Total Receipts	11,527	10,208	44,884	10,289	14,476	10,393	51,231	10,294	9,691	9,291	43,467	9,293	9,358	9,494	48,807	302,701	
Disbursements																	
Purchases - Container Board	(296)	(749)	(18,123)	(717)	(717)	(717)	(17,795)	(525)	(446)	(446)	(15,713)	(487)	(503)	(503)	(17,747)	(75,483)	Note 4
Purchases of other raw materials and supplies	(3,643)	(4,204)	(11,574)	(4,177)	(4,178)	(4,161)	(11,562)	(4,141)	(4,089)	(4,133)	(11,089)	(4,428)	(4,439)	(4,438)	(11,372)	(91,629)	Note 5
Non inventory purchases and overheads	(3,877)	(4,491)	(5,110)	(4,647)	(5,281)	(4,451)	(5,159)	(4,762)	(5,554)	(4,762)	(4,887)	(5,051)	(5,080)	(5,862)	(4,521)	(73,493)	Note 6
Employee related costs and benefits	(2,780)	(1,852)	(4,570)	(3,050)	(3,868)	(1,128)	(5,115)	(2,426)	(3,837)	(3,404)	(4,340)	(3,711)	(2,634)	(2,991)	(5,271)	(50,976)	Note 7
Capital Expenditures	(80)	(159)	(128)	(105)	(105)	(105)	(100)	(72)	(72)	(72)	(72)	(93)	(101)	(101)	(101)	(1,466)	Note 8
Non operational facility costs	(141)	(361)	(299)	(299)	(299)	(284)	(273)	(96)	(96)	(83)	-	-	-	-	-	(2,231)	Note 9
Restructuring Professional Fees	(1,374)	(900)	(1,200)	-	(300)	(700)	(300)	(409)	(300)	-	(300)	-	(300)	-	(300)	(6,382)	Note 10
Applicant's share of centralized services costs	-	-	(610)	-	-	-	(610)	-	-	-	(610)	-	-	-	(610)	(2,440)	Note 11
Other Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pre-Filing Secured Debt Interest	-	-	(676)	(64)	-	-	-	(1,138)	(80)	-	-	(653)	(64)	-	-	(2,676)	Note 12
DIP Loan Fees and Interest	-	(220)	(106)	(50)	-	-	(90)	(50)	-	-	-	(58)	(50)	-	-	(623)	Note 13
Total Disbursements	(12,191)	(12,935)	(42,395)	(13,108)	(14,748)	(11,546)	(41,005)	(13,619)	(14,475)	(12,899)	(37,011)	(14,480)	(13,171)	(13,896)	(39,922)	(307,401)	
Net cash flow	(664)	(2,728)	2,489	(2,819)	(272)	(1,153)	10,227	(3,325)	(4,784)	(3,608)	6,456	(5,188)	(3,814)	(4,402)	8,885	(4,700)	
Forecast Opening Cash Balance	26,496	26,889	25,321	23,240	21,581	18,378	18,385	22,745	20,581	16,957	14,509	16,325	12,297	9,644	6,401	26,496	
Intercompany collections on behalf of SSCE	1,057	1,160	1,160	1,160	1,160	1,160	1,160	1,160	1,160	1,160	1,160	1,160	1,160	1,160	1,160	17,297	
Intercompany collection repayments to SSCE	-	-	(5,730)	-	-	-	(3,917)	-	-	-	(5,800)	-	-	-	(4,640)	(20,086)	
Intercompany collection repayments	1,057	1,160	(4,570)	1,160	1,160	1,160	(2,757)	1,160	1,160	1,160	(4,640)	1,160	1,160	1,160	(3,480)	(2,789)	Note 14
Canadian DIP Term Loan Advance/(repayment)	-	-	-	-	(4,091)	-	(3,109)	-	-	-	-	-	-	-	-	(7,200)	
Canadian DIP Revolver Advance/(repayment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Canadian DIP Loan Advance/(repayment)	-	-	-	-	(4,091)	-	(3,109)	-	-	-	-	-	-	-	-	(7,200)	Note 15
Closing Cash Balance	26,889	25,321	23,240	21,581	18,378	18,385	22,745	20,581	16,957	14,509	16,325	12,297	9,644	6,401	11,807	11,807	
Gross Canadian DIP Availability	72,200	72,200	72,200	72,200	68,109	68,109	65,000	65,000	65,000	65,000	-	-	-	-	-	-	Note 15
Canadian DIP Term Loan Cumulative Draw	7,200	7,200	7,200	7,200	3,109	3,109	-	-	-	-	-	-	-	-	-	-	
Canadian DIP Revolver Cumulative Draw	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Canadian DIP Cumulative Draw	7,200	7,200	7,200	7,200	3,109	3,109	-	-	-	-	-	-	-	-	-	-	
Net Canadian DIP Availability	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	-	-	-	-	-	-	

This cash flow forecast must be read in conjunction with the Notes and Summary of Assumptions attached hereto

SSC Canada Inc.
Combined Cash Flow Forecast for the 15 week period November 14, 2009 to February 26, 2010
Notes and Summary of Assumptions

- 1 Collection of trade accounts receivable are in connection with sales made to third parties. Collections have been estimated based on payment terms for the top ten customers and average payment terms for the balance, net of an allowance for potential bad debts.
- 2 Intercompany receipts reflect the collection of intercompany sales made by SSSCI and SMBI to SSCE (US Parent) which are settled in the month following the sale as part of the intercompany settlement. Also included are SSSCI sales to external parties which are collected by SSCE on their behalf and then reimbursed through the following month's intercompany settlement.
- 3 Other Receipts are made up of the following: (a) Proceeds from the sales of the New Richmond, Pontiac and Bathurst mills, forecasted to close in the week ended January 1st and generating total proceeds before costs of approximately \$4.1M; (b) Proceeds from the sale of the Edmonton facility, forecasted to close in the week ended December 18th and generating proceeds of \$4.1M; (c) An amount of \$900K held back from the Timberlands sale, expected to be received in the week ended January 1st; and (d) Proceeds from the sale of the Whitby facility, forecasted to close in the week ended January 1st and generating proceeds of \$2M, pending the expiration of a due diligence period.
- 4 Containerboard is the principal commodity used in the production of containers and packaging. It is principally purchased from SSCE in the US and is forecasted to be settled once a month, one month in arrears.
- 5 Purchases of other raw materials (including wood) and other converting costs represent raw materials and services purchased from both third parties and SSCE and used in the manufacturing process of container board, containers and packaging.
- 6 Non-inventory purchases and overhead costs represent all other operating costs (except payroll) associated with production and sale of the products and administration of the business, including rent (for leased premises), utilities, freight, office, and selling costs.
- 7 Employee costs represent salaries, wages, vacation pay, pension, other benefit costs and the second distribution of the 2009 Management Incentive Program, forecasted in the week ended January 29. Employee withholdings are assumed to be remitted in the week following net payroll funding. Disbursements in respect of the various pension plans are only being made on account of current service for the period reflected.
- 8 Capital expenditures reflect management's forecast as at November 20th.
- 9 Non-operating facility costs include costs associated with the non-operating mills as well as the closure of the Edmonton container board plant. The non-operating mills costs represent occupancy and other non-manufacturing costs. The Edmonton container board plant closure costs represent incremental costs associated with the closure, including severance payments, capital expenditures and other non-manufacturing costs. Costs associated with the New Richmond, Pontiac and Bathurst mills are expected to cease once the sale is closed for each facility (see timing indicated in Note 3).
- 10 Restructuring professional fees represent the estimated fees of the Applicant's legal and financial advisers, the Monitor, its legal counsel, and monthly fees paid to the US Trustee Center.
- 11 The US parent provides an extensive range of services that benefit the Applicants, including accounting, treasury, procurement and senior management. The cost of the Applicants' share of these services provided during each month will be invoiced to the Applicants in the following month and paid through the monthly intercompany settlement.
- 12 Pursuant to the Canadian DIP agreement, the DIP Charge ranks in priority to the Pre-Filing Credit Agreement security. Interest and fees (not principal) will be paid to the Pre-Filing Credit Agreement lenders.
- 13 The DIP agreement requires payment of interest and fees on a monthly basis.
- 14 On a weekly basis SSSCI collects amounts from SSCE customers. Such collections and repayments are forecasted using historical averages and are remitted to SSCE through the following month's intercompany settlement.
- 15 Proceeds from the asset sales described in Note 3 are forecasted to be used to repay the balance of the DIP Term Loan. DIP Revolver Advance represents advances to the Applicants pursuant to the DIP Loan Financing agreement. The Gross DIP Loan availability is subject to a margining formula based on actual accounts receivable and inventory balances, and reflects any repayments or draws made during the period. Availability on the DIP Term Loan is permanently reduced by any repayments. The DIP agreement expires on January 28th and is not forecasted to be extended.
- 16 The Can\$/US\$ foreign exchange rate is assumed to be constant at C\$1.10:US\$1 throughout the period.

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., *et al.*

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**TENTH REPORT OF THE MONITOR
DATED DECEMBER 8, 2009**

GOODMANS LLP

Barristers & Solicitors

250 Yonge Street, Suite 2400

Toronto, Canada M5B 2M6

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.