

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"

MOTION RECORD

(RETURNABLE JANUARY 28, 2009)

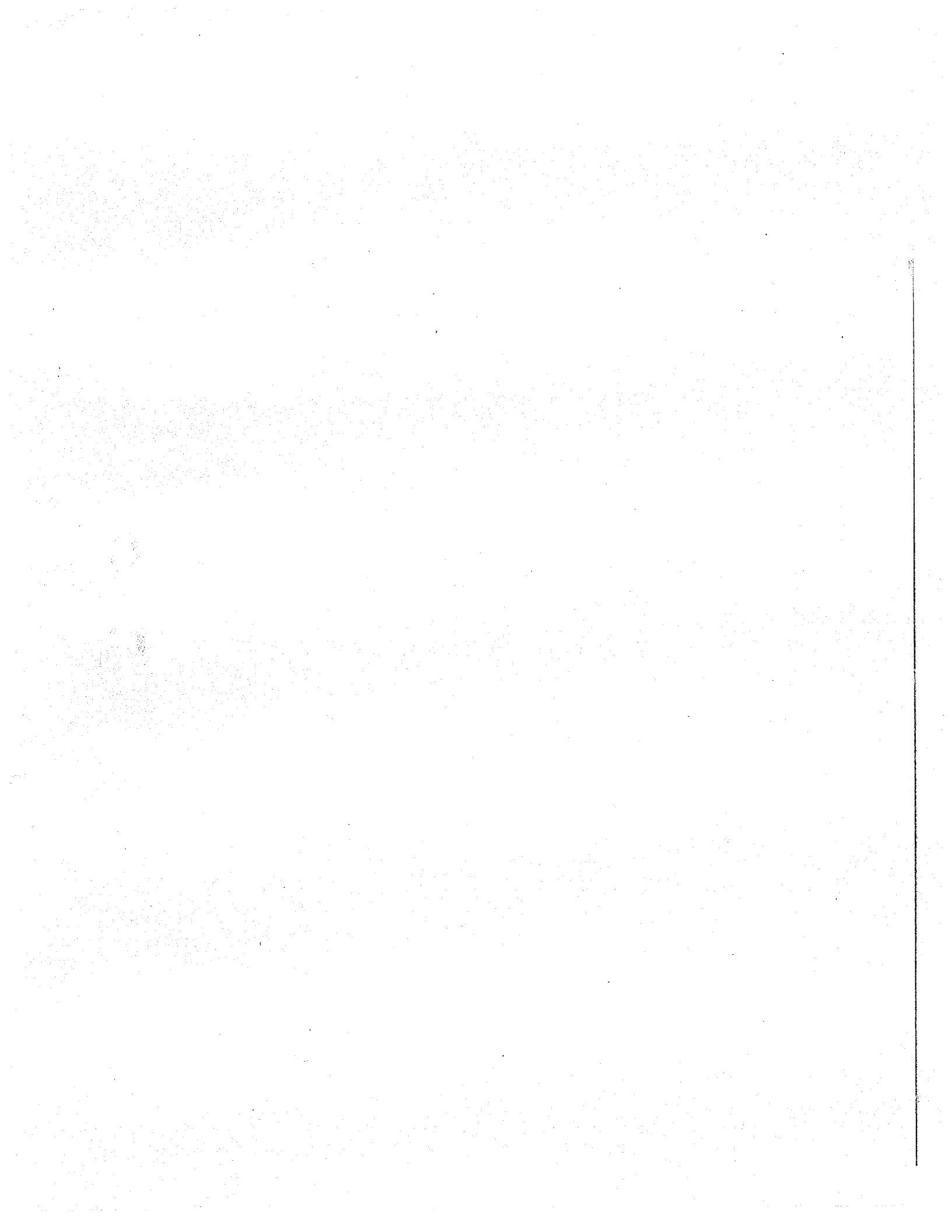
VOLUME II

Applicants

January 27, 2009

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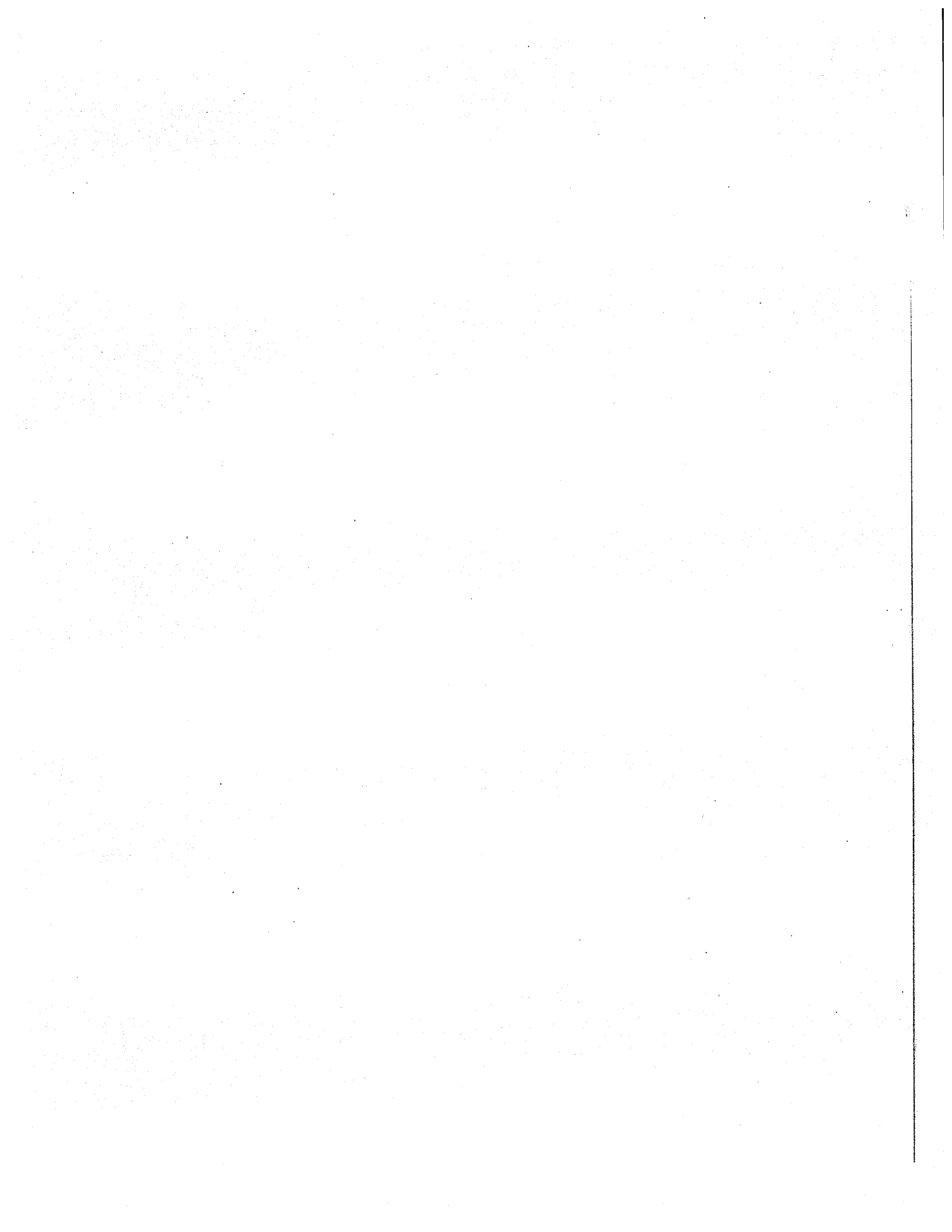
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Form of Canadian Security Agreement

Exhibit B-2

PLEDGE OF BOND AGREEMENT

THIS AGREEMENT dated • is made

BETWEEN

SMURFIT-STONE CONTAINER CANADA INC. / EMBALLAGES SMURFIT-STONE CANADA INC. (the "Grantor", and such term shall include its successors and assigns), a company continued under the Companies Act (Nova Scotia), having its registered office at 1959 Upper Water Street, Halifax, Province of Nova Scotia

- and -

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH, (the "Agent", and such term shall include its successors and assigns), a bank duly constituted, having a place of business at •, in the City of •, Province of, as Canadian collateral agent under the Credit Agreement (as defined in Section 1 below) and as mandatary for the Secured Parties (as defined in Section 1 below)

RECITALS:

A. The Grantor has issued the Bond (as defined in Section 1 below) pursuant to a Deed of Hypothec and Issue of Bonds executed on • before Mtre. •, Notary, by, *inter alia*, the Grantor in favour of JPMORGAN CHASE BANK, N.A., TORONTO BRANCH, as "*fondé de pouvoir*" (in such capacity the "Attorney", and such term shall include its successors and assigns) for the holders of the bonds issued thereunder (the "Deed of Hypothec"); and

B. The parties hereto have agreed to the pledge of the Bond in order to secure the Secured Obligations (as defined in Section 1 below).

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS AND INTERPRETATION

(1) Preamble. The preamble shall form part hereof as if recited herein at length.

(2) Terms Defined in Other Documents. Unless specifically indicated otherwise, all capitalized terms and expressions used herein and not expressly defined herein shall have the same meaning as that ascribed to them in the Credit Agreement.

(3) Definitions. In this Agreement, unless there is something in the context that is contrary, the following terms and expressions shall have the following meanings:

"Agreement" means this Pledge of Bond Agreement, and the expressions "this Agreement", "present Agreement", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to the Agreement, including all schedules thereto and all amendments, modifications, supplements, extensions, consolidations, substitutions, renewals or replacements of any of the foregoing;

"Bond" means the One billion one hundred and twenty-five million dollars in lawful money of Canada (CAN\$1,125,000,000) nominal principal amount 25% Demand Bond represented by certificate no. 01, payable on demand to the Agent and issued by the Grantor pursuant to the Deed of Hypothec.

"Credit Agreement" means the Credit Agreement dated as of * among, *inter alia*, Smurfit-Stone Container Canada Inc., as Canadian Borrower, the other Canadian Loan Parties, as Canadian Guarantors, the financial institutions and other parties thereto from time to time, as Lenders, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Administrative Agent and Canadian Collateral Agent, J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc., as Joint Bookrunners and Co-Lead Arrangers, and Deutsche Bank Securities Inc., as Syndication Agent, as same may be amended, supplemented, extended or otherwise modified or restated from time to time;

"Pledge" has the meaning ascribed thereto in Section 2(1) of this Agreement.

"Pledged Property" has the meaning ascribed thereto in Section 2(1) of this Agreement.

"Secured Obligations" means all debts, obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time owing by the Grantor or any other Canadian Loan Party to any of the Secured Parties pursuant to the Credit Agreement or any other Loan Document, and all obligations of the Grantor under this Agreement.

2. DESCRIPTION OF THE PLEDGED PROPERTY

(1) The Grantor has concurrently herewith delivered and pledged (the "Pledge") to the Agent, which shall hold same for the benefit of the Secured Parties, the following:

- (a) the Bond;
 - (b) all rights and revenues arising under the Bond;
 - (c) the certificate or certificates that represent or may represent the Bond further to the assignment, cancellation or replacement of the Bond; and
- (collectively, the "Pledged Property").

(2) The Agent hereby acknowledges receipt of the Bond.

(3) The Grantor hereby acknowledges and agrees that the Agent has full authority to act on behalf of the Secured Parties in all matters relating to this Agreement and the Bond, including, without limitation, to hold and receive payment of the Bond on behalf and for the benefit of the Secured Parties and that any Person dealing with the Agent in respect of any such matter, including the Attorney, need not enquire further as to the authority of the Agent to act on behalf of the Secured Parties.

(4) The Grantor further acknowledges that the Agent and the Attorney may purchase, acquire and be the holder of the Bond notwithstanding the provisions of Section 32 of *An Act respecting the special powers of legal persons (Québec)* and that the Bond constitutes a title of indebtedness, as such term is used in Article 2692 of the *Civil Code of Québec*.

3. SECURED OBLIGATIONS AND AMOUNT OF PLEDGE

(1) The Pledge shall secure payment of the Secured Obligations.

(2) The amount for which the Pledge is hereby granted is One billion one hundred and twenty-five million dollars in lawful money of Canada (CAN\$1,125,000,000), with interest thereon from the date hereof at the rate of 25% per annum.

4. COVENANTS

The Grantor hereby covenants and agrees with the Agent to perform all acts and execute all deeds and documents necessary to give full effect to the Pledge and to ensure that it is at all times enforceable against third Persons and that the Bond or any portion thereof is held by the Agent on behalf and in favour of the Secured Parties.

5. RIGHTS OF THE AGENT

(1) The Grantor hereby expressly acknowledges and agrees that for the purposes hereof the Agent shall be the sole holder of the Bond and that in such capacity the Agent is entitled to and will collect, at all times as of and from the date hereof, the claim represented by the Bond.

(2) Whether or not an Event of Default has occurred, the Agent shall be considered as the owner of the Bond for all purposes of the Deed of Hypothec. The Agent is hereby authorized to exercise all rights, remedies, powers, privileges, guarantees and recourses available to a Bondholder under the Deed of Hypothec.

6. SUCCESSORS AND ASSIGNS

The rights hereby conferred upon any of the Secured Parties shall benefit all their respective successors and permitted assigns pursuant to the Credit Agreement, including any entity resulting from the amalgamation, merger or consolidation of any of the Secured Parties with any other Person(s), and any Person(s) succeeding to the business of any of the Secured Parties. The obligations of the Grantor hereunder shall bind the successors and permitted assigns of the Grantor, including any Person(s) resulting from the amalgamation or merger of the Grantor with any other Person(s).

7. EVENT OF DEFAULT

(1) Notwithstanding the fact that the Bond is payable on demand, the Agent shall not demand payment of the Bond until such time as an Event of Default shall have occurred and is continuing.

(2) At any time that an Event of Default has occurred and is continuing, the Agent may demand payment of the Bond, declare the Bond to be immediately due and payable and collect the money owed thereunder, sell the Bond or exercise any other right that, under the applicable Law, is available to it under the Pledge.

(3) Notwithstanding any of the provisions of the Bond, payment to the Agent of interest for any period in respect of the Secured Obligations shall be deemed payment in satisfaction of the interest payment for the same period under the Bond. The Agent in realizing on the Bond or the Pledge constituted hereby and notwithstanding the nominal value of the Bond, shall not claim under the Bond any greater amount in the aggregate for principal and interest than the aggregate of all sums then owing by the Grantor to any Secured Party on account of Secured Obligations.

(4) Notwithstanding the provisions of Article 1572 and the second paragraph of Article 2743 of the *Civil Code of Québec*, as well as any other legal rule concerning the imputation of

payments, the Agent may apply the amounts received pursuant to the provisions of this Agreement in accordance with the terms of the Credit Agreement.

8. MISCELLANEOUS

(1) The Pledge constituted under this Agreement is in addition to, and not in substitution of or in replacement for, any other hypothec, pledge, security, guarantee or other right held by or benefiting the Agent, the Attorney or any of the Secured Parties.

(2) Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made by the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, when delivered to such party in accordance with the provisions of the Credit Agreement in respect of notices and communications.

(3) This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Québec and the laws of Canada applicable therein.

(4) This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

(5) The parties hereto confirm that the present Agreement has been drawn up in the English language at their request. *Les parties aux présentes confirment que la présente convention fut rédigée en anglais à leur demande.*

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

SMURFIT-STONE CONTAINER
CANADA INC. / EMBALLAGES
SMURFIT-STONE CANADA INC.

By: _____
Name:
Title:

**JPMORGAN CHASE BANK, N.A.,
TORONTO BRANCH**

By: _____
Name:
Title:

DELIVERY ORDER

SMURFIT-STONE CONTAINER CANADA INC. /
 EMBALLAGES SMURFIT-STONE CANADA INC.

TO: JPMORGAN CHASE BANK, N.A., TORONTO BRANCH, as "*fondé de pouvoir*"
 (In such capacity, the "Attorney")

Reference is made to the Deed of Hypothec and Issue of Bonds executed on •, before Mtre. •, Notary, by the undersigned and others in favour of the Attorney for the holders of the bonds issued thereunder (the "Deed of Hypothec").

The undersigned hereby directs the Attorney to certify a 25% demand bond of the undersigned pursuant to the Deed of Hypothec, in the principal amount of One billion one hundred and twenty-five million dollars in lawful money of Canada (CAN\$1,125,000,000) to JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian collateral agent (in such capacity, the "Agent") under and in connection with the Credit Agreement dated as of • among, *inter alia*, Smurfit-Stone Container Canada Inc., as Canadian Borrower, the other Canadian Loan Parties, as Canadian Guarantors, the financial institutions and other parties thereto from time to time, as Lenders, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Administrative Agent and Canadian Collateral Agent, J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc., as Joint Bookrunners and Co-Lead Arrangers, and Deutsche Bank Securities Inc., as Syndication Agent, as same may be amended, supplemented, extended or otherwise modified or restated from time to time; and to deliver such 25% demand bond to the address set out below, payable on demand and to register such bond in the name of the Agent:

JPMORGAN CHASE BANK, N.A., TORONTO BRANCH
 c/o Blake, Cassels & Graydon LLP
 600 de Maisonneuve Blvd. West
 Place de la Cathédrale
 Suite 2200
 Montréal, Québec H3A 3J2

DATED: •

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SMURFIT-STONE CONTAINER
CANADA INC. / EMBALLAGES
SMURFIT-STONE CANADA INC.

By: _____
Name:
Title: