Court File No. __________

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, 639647 BRITISH COLUMBIA LTD., B.C. SHIPPER SUPPLIES LTD., SPECIALTY CONTAINERS INC., FRANCOBEC COMPANY AND 605681 N.B. INC.

APPLICANTS

REPORT OF DELOITTE & TOUCHE INC.

In its capacity as the Proposed Monitor of the Applicants

JANUARY 26, 2009

INTRODUCTION

1. Deloitte & Touche Inc. ("**D&T**" or the "**Proposed Monitor**") understands that Smurfit-Stone Container Canada Inc. ("**SSC Canada**"), Stone Container Finance Company of Canada II ("**SC Finance Canada**"), 3083527 Nova Scotia Company, MBI Limited, 639647 British Columbia Ltd., B.C. Shipper Supplies Ltd., Specialty Containers Inc., Francobec Company and 605681 N.B. Inc. Canada (collectively, the "**Applicants**") have brought an application before this Honourable Court seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

2. D&T also understands that the Applicants have requested that the terms of the Initial Order in these CCAA proceedings apply to certain Canadian partnerships affiliated with

the Applicants, namely Smurfit-MBI and SLP Finance General Partnership (the "**Partnerships**" and, with the Applicants, the "**CCAA Entities**").

3. Each of the CCAA Entities is also filing for protection in the Chapter 11 Proceedings (as defined below).

4. Certain Canadian companies in which SSC Canada or Smurfit-MBI hold non-majority interests and certain inactive subsidiaries of SSC Canada are not filing for protection in these CCAA proceedings.

5. D&T has consented to act as Monitor in these CCAA proceedings.

6. This report ("**Report**") is prepared by D&T as the Proposed Monitor in the Applicants' CCAA proceedings to assist this Honourable Court in considering the Applicants' requests for relief.

7. The purpose of this Report is to provide this Honourable Court with information concerning:

   (a) background on the business of Smurfit-Stone Container Corporation (together, with its direct and indirect subsidiaries, the "**Company**" or "**Smurfit-Stone**") and the CCAA Entities;

   (b) the Chapter 11 Proceedings (as defined below);

   (c) the financial position of the Company and the CCAA Entities;

   (d) Smurfit-Stone's debt structure;

   (e) the current secured credit facility in place for Smurfit-Stone;

   (f) Smurfit-Stone's unsecured notes;

   (g) the Company's accounts receivable securitization programs;

   (h) the proposed restructuring strategy of the Company and the terms of the debtor-in-possession ("**DIP**") facility;

(i) the Partnerships;

(j) the request of the CCAA Entities to pay certain pre-filing amounts owed to critical suppliers;

(k) the CCAA Entities' pension plans and other employee matters;

(l) creditor notification;

(m) the CCAA Entities' cash management system and intercompany payables;

(n) directors' and officers' charge; and

(o) the Proposed Monitor's conclusions.

8. In preparing this Report, D&T 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 of the Company. D&T has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, D&T expresses no opinion or other form of assurance on the information contained in this Report.

9. Unless otherwise stated, all dollar amounts contained in this Report are expressed in U.S. dollars.

10. The Proposed Monitor's affiliated accounting firm is not the auditor of Smurfit-Stone.

11. D&T was retained by the Company on January 15, 2009, as the Proposed Monitor. Since that date, D&T has been reviewing the Company's available financial information to gain knowledge of the business and financial affairs of the Company and, in particular, the CCAA Entities, and has been preparing for the Applicants' anticipated CCAA application.

12. On a going-forward basis, the Proposed Monitor will make copies of certain material documents pertaining to these CCAA proceedings available on its website at www.deloitte.com/ca/smurfitstonecanada.

BACKGROUND

13. Reference is made to the Affidavit of Dean Jones sworn January 25, 2009, in support of the Applicants' CCAA filing (the "**Jones Affidavit**").

14. 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. The Company currently holds approximately 18% of the North American containerboard market. Approximately 74% of the North American containerboard market is held by the Company and its four largest competitors.

15. For fiscal 2007, the Company had consolidated revenues of approximately $7.42 billion and suffered a net loss from continuing operations of $103 million. For the nine months ended September 30, 2008, Smurfit-Stone recorded net income of $53 million on net sales of $5.5 billion. Although not finalized, the Company expects that its 2008 financials will ultimately show a loss owing to the general economic downturn and other factors outlined below. The shares of the Company's ultimate parent, Smurfit-Stone Container Corporation ("**SSCC**"), are listed on the NASDAQ.

16. Smurfit-Stone employs approximately 21,250 employees at 162 facilities across North America, China and Puerto Rico. The Company's operations encompass all phases of the containerboard industry including: 14 paper mills which produce containerboard rollstock; approximately 122 corrugated container facilities which convert rollstock into corrugated container board that is sold to a wide array of customers, principally in the food and beverage and consumer product industries; and 26 reclamation plants which process recyclable materials into large bales to be sold to the Company's mills or third party customers.

17. The Proposed Monitor has been advised by the Company that Smurfit-Stone's operations have been negatively impacted by, among other things:

(a) the global economic downturn and the accompanying decrease in North American consumer spending which has led to decreased demand for the containerboard packaging the Company produces;

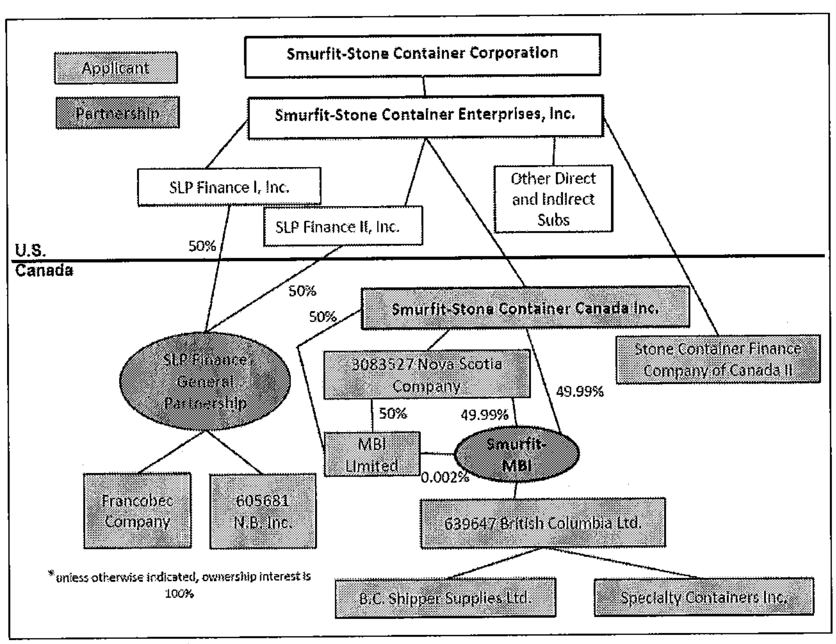
(b) the manufacturing exodus from North America to other locales and the accompanying outsourcing of packaging as products tend to be packaged where they are manufactured;

(c) the dramatic rise in the cost of the Company's inputs (although the subsequent decline in recent months should assist the Company in its restructuring efforts); and

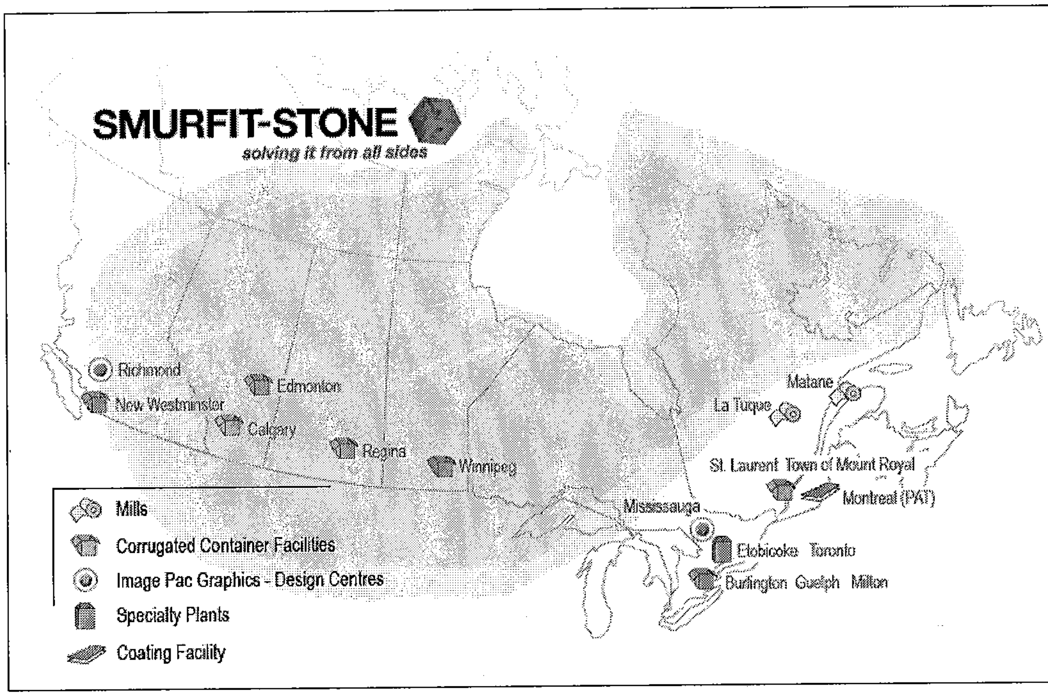
(d) a general market shift away from paper-based packaging.

18. Despite significant restructuring efforts since 2005, the Company has advised the Proposed Monitor that it is unable to restructure its business without the benefit of creditor protection in both the U.S. and Canada.

19. SSC Canada is the direct or indirect parent of the each of the Applicants, except Francobec Company and 605681 N.B. Inc. Canada. A simplified corporate chart reflecting the CCAA Entities is provided below.



20. SSC Canada and Smurfit-MBI are the principal Canadian operating entities. SSC Canada directly operates mills and plants producing linerboard (a component of corrugated containerboard), corrugating medium (a further component of corrugated containerboard) and foodboard (coated corrugated cardboard). Smurfit-MBI is a converting operation that produces corrugated containers using, amongst other inputs, linerboard from Smurfit-Stone's mills. On a non-finalized and unaudited basis for the year ended December 31, 2008, SSC Canada and Smurfit-MBI had combined sales of $1.2 billion and incurred a combined loss from operations of $15.3 million (before interest and financing costs). The CCAA Entities currently employ approximately 2,600 people (both non-unionized and unionized) across Canada.



21. SSC Canada and Smurfit-MBI also own the majority of Smurfit-Stone's Canadian fixed assets, including mills and container production facilities in Calgary, Edmonton, Regina, Winnipeg, and several facilities in Quebec and the Golden Horseshoe region of Ontario. SSC Canada also owns 960,000 acres of timberland in Quebec.

22. The Proposed Monitor has been advised that SSC Canada is in the process of selling three inactive mills (two in Quebec and one in New Brunswick).

23. As outlined in the Jones Affidavit, Smurfit-Stone operates as a North American company rather than individual business units. For instance, all products produced at SSC Canada's mills are sold to U.S. based Smurfit-Stone entities and all paper used in Smurfit-MBI's corrugated container operations is supplied by Smurfit-Stone's "Container Board Marketing Group". Further, the Proposed Monitor understands that, with the exception of some sales and marketing decisions, Smurfit-Stone's U.S. based directors, officers and management (collectively, the "**U.S. Management Team**") make substantially all high-level management decisions regarding the CCAA Entities and that the CCAA Entities rely on Smurfit-Stone Container Enterprises, Inc. ("**SSC U.S.**"), the principal U.S. operating company, and other U.S. based Smurfit-Stone entities for substantially all general corporate services, including cash management, marketing, purchasing and transportation, and legal services. The Proposed Monitor has also been advised that the U.S. Management Team will have primary responsibility for developing and implementing the Company's restructuring plan, including the restructuring plan for the CCAA Entities.

THE CHAPTER 11 PROCEEDINGS

24. On January 26, 2009, SSCC and certain of its direct and indirect subsidiaries, including SSC U.S. and the CCAA Entities (collectively, the "**U.S. Debtors**"), filed for bankruptcy protection pursuant to Chapter 11 of the *United States Bankruptcy Code* in the United States Bankruptcy Court (the "**U.S. Court**") for the district of Delaware (the "**Chapter 11 Proceedings**").

25. In light of the dependency of the CCAA Entities on SSC U.S., the Proposed Monitor is of the view that the successful restructuring of the CCAA Entities is inextricably intertwined with the successful restructuring of the wider Smurfit-Stone enterprise in the Chapter 11 Proceedings.

26. As a result of the Chapter 11 Proceedings, Smurfit-Stone no longer has access to the Secured Credit Facility (as defined below). The principal parties to the credit agreement underlying the Secured Credit Facility, as well as certain new lenders, have entered into a debtor-in-possession loan facility (the "**DIP Facility**").

27. The DIP Facility provides for an aggregate of $750 million in DIP financing for Smurfit-Stone as follows:

    (a) a $250 million revolving credit facility for SSC U.S.;

    (b) a $65 million revolving credit facility for SSC Canada;

    (c) a $400 million term loan facility for SSC U.S.; and

    (d) a $35 million term loan facility for SSC Canada.

28. The terms of the DIP Facility provide that credit will only be advanced to SSC U.S. on the condition that SSC Canada provide a guarantee and grant a charge over its assets as security for all advances made to SSC U.S. under the DIP Facility. Furthermore, the lenders providing the DIP Facility will only extend credit to SSC Canada if the CCAA Entities provide a joint and several guarantee and grant a charge over their assets as security for all advances made to SSC Canada under the DIP Facility. The CCAA Entities will not guarantee the loans to SSC U.S. The loans to SSC Canada will be guaranteed by SSC U.S. and most of its U.S. subsidiaries. These matters are discussed in greater detail below.

THE FINANCIAL POSITION OF THE CCAA ENTITIES

29. As noted above, the vast majority of the fixed assets of the CCAA Entities are owned by SSC Canada and Smurfit-MBI. SSC Canada, Smurfit-MBI and SC Finance Canada have the majority of the CCAA Entities' liabilities. Attached as Schedule "A" hereto is a summary of the balance sheets of nine of the CCAA Entities. The balance sheet summaries reflect amounts owing to intercompany creditors as well as third party creditors.

30. In preparation for a CCAA application, the CCAA Entities, with the assistance of the Company's financial advisor, have prepared a 5-week cash flow forecast (the "**Cash Flow Forecast**") which is appended to the Jones Affidavit and attached hereto as Schedule "B". The Proposed Monitor will work with the Company and its financial

advisor to provide a full 13-week cash flow forecast to this Honourable Court for the CCAA Entities as soon as possible.

31. The Cash Flow Forecast projects that the SSC Canada's initial draw on the DIP Facility will go from $39 million to $47.5 million during the five-week period following filing. The U.S. Management Team has the discretion to settle intercompany accounts in order to manage the availability of funds for SSC Canada under the DIP Facility.

OVERVIEW OF SMURFIT-STONE'S DEBT STRUCTURE

32. Smurfit-Stone's approximate outstanding material debt obligations are as follows:

Type of Debt	Amount
Secured Credit Facility	$1 billion as at January 22, 2009
Senior Unsecured Notes (as defined below)	$2.275 billion as at December 2008
Trade creditor payables[1]	$336 million as at January 22, 2009

33. The CCAA Entities approximate outstanding material debt obligations are as follows:

Type of Debt	Amount
Secured Credit Facility	$367 million as at January 22, 2009
Canadian Notes (as defined below)	$200 million as at December 2008
Trade creditor payables[2]	$53.4 million as at January 22, 2009

[1] Excluding invoices still in transit or being processed.

[2] Excluding invoices still in transit or being processed.

34. In addition, Smurfit-Stone has a U.S. and Canadian accounts receivable securitization program as detailed later in this Report.

SECURED CREDIT FACILITY

35. SSC Canada's sole secured credit facility (the "**Secured Credit Facility**") was established under a credit agreement dated November 1, 2004, between SSC U.S. and SSC Canada as borrowers, SSCC as guarantor, JPMorgan Chase Bank as senior agent, Deutsche Bank Trust Company Americas as senior agent and administrative agent, Deutsche Bank AG as Canadian administrative agent, and certain other lenders (collectively, the "**Secured Lenders**"). As the sole Canadian borrower under the Secured Credit Facility, SSC Canada has historically provided funding to the other CCAA Entities as required.

36. The Secured Credit Facility, in addition to providing a revolving credit facility of up to \$600 million and a tranche B term loan of \$975 million to SSC U.S., provides a revolving credit facility of up to \$200 million and a tranche C term loan of \$300 million to SSC Canada. A further tranche C-1 term loan of \$90 million was advanced to SSC Canada under an amendment to the Secured Credit Facility in December 2005. The Secured Credit Facility also provides for a revolving credit facility of \$200 million which can be accessed by either of SSC U.S. and SSC Canada, and a deposit funded letter of credit facility related to certain variable rate industrial revenue bonds of approximately \$122 million.

37. An event of default occurred in connection with the Secured Credit Facility when the U.S. Debtors filed the Chapter 11 Proceedings and when the Applicants filed for protection under the CCAA.

38. The obligations of SSC U.S. under the Secured Credit Facility are unconditionally guaranteed by SSCC and the material U.S. Smurfit-Stone subsidiaries, and are secured by a security interest in substantially all of the assets and properties of SSCC, SSC U.S. and the material U.S. Smurfit-Stone subsidiaries, by a pledge of all the capital stock of SSC U.S. and the material U.S. Smurfit-Stone subsidiaries, and by a pledge of 65% of the capital stock of SSC Canada that is directly owned by SSC U.S. The assets securing SSC

U.S.'s obligations under the Secured Credit Facility exclude cash, cash equivalents, certain trade receivables, three paper mills and the land and buildings of certain corrugated container facilities.

39. The obligations of SSC Canada under the Secured Credit Facility are unconditionally guaranteed by SSCC, SSC U.S., the material U.S. Smurfit-Stone subsidiaries and the material Canadian subsidiaries of SSC Canada, and are secured by a security interest in substantially all of the assets and properties of SSC Canada and the material Canadian subsidiaries of SSC Canada, by a pledge of all of the capital stock of the material Canadian subsidiaries of SSC Canada and by the same Smurfit-Stone U.S. assets, properties and capital stock that secure SSC U.S.'s obligations under the Secured Credit Facility. The security interests securing SSC Canada's obligations under the Secured Credit Facility exclude three mills and related property and certain other real property located in New Brunswick and Quebec.

40. In summary, under the Secured Credit Facility, the obligations of SSC Canada are guaranteed by Smurfit-Stone's U.S. entities and secured by a charge over substantially all of the assets of Smurfit-Stone's U.S. entities. However, the obligations of SSC U.S. under the Secured Credit Facility are not guaranteed by the CCAA Entities and are not secured by a charge over any of the CCAA Entities' property.

41. In connection with the security described above, certain of the CCAA Entities have executed various security documents in favour of the Secured Lenders (collectively, the "**Security Documents**"). D&T has retained Goodmans LLP ("**Goodmans**") as its independent counsel in this matter and has asked Goodmans to review the Security Documents. The Proposed Monitor will report back to this Honourable Court on Goodmans' findings.

THE SENIOR UNSECURED NOTES

42. SC Finance Canada is the issuer of certain unsecured notes due in 2014 with a principal aggregate amount outstanding of $200 million (the "**Canadian Notes**"). The Canadian Notes are guaranteed by SSC U.S. and bear interest at a rate of 7.375% per annum.

43. SSC U.S. is the issuer of four separate series of unsecured notes with an aggregate principal amount outstanding of $2.075 billion (collectively, with the Canadian Notes, the "**Senior Unsecured Notes**").

CANADIAN ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

44. Smurfit-MBI participates in a CDN $70 million accounts receivable securitization program pursuant to which it sells, on an ongoing basis and without recourse, certain of the CCAA Entities' accounts receivable to a trust in which it holds a variable subordinated interest (the "**Canadian A/R Securitization Program**"). As at January 23, 2009, the outstanding balance under the Canadian A/R Securitization Program was CDN $38 million. SSC U.S. has a similar program in place for the accounts receivable of certain of the U.S. based Smurfit-Stone entities.

45. As further detailed below, SSC Canada intends to use the Canadian term loan advanced under the DIP Facility to unwind the Canadian A/R Securitization Program so that the DIP Lenders (as defined below) are able to take a priority security interest in the CCAA Entities' accounts receivable.

RESTRUCTURING OF SMURFIT-STONE AND TERMS AND USES OF THE PROPOSED DIP FACILITY

46. The Proposed Monitor has been advised that the principal strategy to be pursued by Smurfit-Stone is a comprehensive balance sheet restructuring with an emphasis on debt and cost reduction.

47. In order to continue day-to-day operations and to facilitate the Company's restructuring, the U.S. Debtors and the CCAA Entities require access to significant financing.

48. As described in the Jones Affidavit and above, the pre-filing financing of the CCAA Entities is intertwined with the financing of the U.S. Debtors insofar as SSC Canada and SSC U.S. are both borrowers under the Secured Credit Facility. The Proposed Monitor has been advised by the Company that SSC Canada is only able to obtain DIP financing in conjunction with the wider Smurfit-Stone enterprise.

49. D&T has not been a party to what are ongoing and very complex negotiations between Smurfit-Stone and the lead agent under the Secured Credit Facility, JPMorgan Chase Bank, N.A. ("**JPMorgan**"). However, the DIP Lenders (as defined below) have advised Smurfit-Stone that they are only willing to extend credit to SSC Canada under the DIP Facility and as part of a CCAA filing co-ordinated with the Chapter 11 Proceedings.

50. The Company has advised the Proposed Monitor that it began an extensive process in mid-November 2008 to solicit expressions of interest in providing Smurfit-Stone with new debt financing. Smurfit-Stone, with the assistance of its financial advisor, contacted 25 potential lenders to ascertain their level of interest in early December 2008. Six of these lenders subsequently signed confidentiality agreements and entered the diligence phase of the process. By mid-December 2008, due to deteriorating liquidity and based on the status of negotiations with other potential lenders, the Company and its financial advisors determined that the best course of action was to work with JPMorgan and certain of the other Secured Lenders. Following successful negotiations with JPMorgan, 19 other lenders were contacted by the Company, its financial advisors and JPMorgan to participate in the DIP Facility. Of these, 13 executed confidentiality agreements and 10 ultimately agreed to participate in the DIP Facility. A credit agreement in respect of the DIP Facility (the "**DIP Credit Agreement**") is contemplated to be entered into shortly amongst SSCC as guarantor, SSC U.S. and SSC Canada as borrowers, certain other loan parties, JPMorgan as administrative agent and collateral agent and JPMorgan Chase Bank, N.A., Toronto as Canadian administrative agent and Canadian collateral agent (collectively, the "**DIP Lenders**").

51. The key elements of the DIP Facility are as follows:

(a) the borrowers will be the same as under the Secured Credit Facility (i.e., SSC U.S. and SSC Canada (collectively, the "**Borrowers**"));

(b) as noted above, subject to the terms of the DIP Credit Agreement, an aggregate of $750 million will be available to SSC U.S. and SSC Canada;

(c) SSC Canada, in addition to having access to a $65 million revolving facility and a $35 million term loan, will have access to a portion of the SSC U.S. $250 million revolving facility if required;

(d) unless terminated sooner or extended, the DIP Facility has an initial term of 12 months;

(e) the DIP Credit Agreement includes two extension options of three months each, whereby the Borrowers may extend the maturity date for a further six months in total, subject to the terms and conditions set out in the DIP Credit Agreement;

(f) during the period commencing on the closing of the DIP Facility and ending on the date the U.S. Court has entered a final order approving continued lending under the DIP Facility, no more than $100,000,000 of the SSC U.S. revolving commitment and $15,000,000 of the SSC Canada revolving commitment shall be available for borrowing (subject to compliance with borrowing base provisions and the terms and conditions set out in the DIP Credit Agreement);

(g) the Borrowers have the option to borrow at a rate equal to LIBOR (subject to a floor of 3.5%) plus 6.5%, or an "alternate base rate" (subject to a floor of 4.5%) plus 5.5%. For each extension period, the Borrowers shall pay a fee equal to 1.0% of the outstanding principal balance of the term loans plus the then aggregate commitments; and

(h) the obligations of SSC U.S. under the DIP Credit Agreement are unconditionally guaranteed by SSCC, most U.S. subsidiaries of SSC U.S. (together with SSCC and SSC U.S., the "**U.S. Loan Parties**"), and SSC Canada. The obligations of SSC Canada under the DIP Credit Agreement are unconditionally guaranteed by the U.S. Loan Parties and the other CCAA Entities.

52. In addition, the DIP Credit Agreement and related security documentation contemplate that the obligations of SSC U.S. under the DIP Credit Agreement will be secured by a court ordered super-priority charge over substantially all of the assets and property of the U.S. Loan Parties and SSC Canada and that the obligations of SSC Canada under the DIP Credit Agreement will be secured by a court ordered super-priority charge over substantially all of the assets and property of the CCAA Entities.

53. It is a condition precedent to funds being advanced that this Honourable Court and the U.S. Court approve the terms of the DIP Facility as outlined above. In addition, the Recognition Order (as defined below) is required for the assets of Smurfit-MBI to be included in the borrowing base for the Canadian revolving credit facility portion of the DIP Facility.

54. The Company has advised the Proposed Monitor that:

(a) the proposed DIP Facility represents the best alternative available to the Company and, by extension, the CCAA Entities;

(b) as the business of the CCAA Entities is inextricably linked to the U.S. operations of Smurfit-Stone, the CCAA Entities would not be able to secure DIP financing without the guarantee of SSC U.S.;

(c) the DIP Facility will ensure the continuation of Smurfit-Stone's operations and the employment of the majority of the Company's employees, including the CCAA Entities' employees;

(d) because this Honourable Court's approval of the DIP Facility is a condition to lending not only to SSC Canada but SSC U.S. as well, the entire Company would be at risk if the DIP Facility is not approved;

(e) substantially all of the assets of SSC Canada and its material Canadian subsidiaries are already pledged to the Secured Lenders in connection with the Secured Credit Facility. As such, any other DIP financing would have to prime the Secured Lenders (and therefore be subject to potential opposition by the Secured Lenders) or be an alternate DIP in the same amount (or a greater amount in order to repay the existing Secured Credit Facility) as SSC Canada's secured debt is part of the Secured Credit Facility, rather than a standalone Canadian facility; and

(f) the commencement of the Chapter 11 Proceeding and these CCAA proceedings will constitute an event of default in connection with the Secured Credit Facility and the Canadian A/R Securitization Program. As such, the DIP Facility will ensure continued access to cash for the CCAA Entities, and will see the maximum credit available to SSC Canada increase from $50 million to approximately $77 million at its peak, subject to borrowing base requirements.

55. Smurfit-Stone has advised the Proposed Monitor that SSC U.S. will use the funds advanced under the DIP Facility for working capital, capital expenditures, general corporate purposes, transaction costs, post filing expenses, to unwind its U.S. accounts receivable securitization program and to pay interest in respect of amounts owing under the Secured Credit Facility.

56. Smurfit-Stone has advised the Proposed Monitor that SSC Canada will use the funds advanced under the DIP Facility as follows:

(a) approximately $30 million (i.e. most of the Canadian term loan) will be used to repay and unwind the Canadian A/R Securitization Program; and

(b) approximately $47 million (i.e. a portion of the Canadian revolving facility) will be used for working capital, capital expenditures, general corporate purposes, transaction costs, post filing expenses and to pay interest in respect of amounts owing under the Secured Credit Facility.

57. SSC Canada will also have access to funds under the $250 million SSC U.S. revolving facility. The DIP Facility will not be used to refinance the Secured Credit Facility.

THE PARTNERSHIPS

58. As noted above, the Applicants are seeking that certain aspects of the proposed Initial Order, including the stay, apply to the Partnerships.

59. The general partner (MBI Limited) and limited partners (3083527 Nova Scotia Company and SSC Canada) of Smurfit-MBI are Applicants in the proposed CCAA proceedings. The second Partnership, SLP Finance General Partnership, is a general partnership. Its partners are two Delaware based Smurfit-Stone corporations who are U.S. Debtors but are not Applicants in these proceedings.

60. The Proposed Monitor has been advised by the Company that the Partnerships have considerable assets and that Smurfit-MBI has a significant contingent of trade creditors.

61. D&T has also been advised by counsel to JPMorgan that the DIP Lenders consider the Partnerships' assets to be valuable security for the DIP Facility.

62. Smurfit-Stone has advised the Proposed Monitor that, in connection with the DIP Facility and in order to coordinate these CCAA proceedings with the Chapter 11 Proceedings, the request to have the proposed Initial Order apply to the Partnerships is required by the DIP Lenders.

63. Further, the Applicants have also advised the Proposed Monitor that the Applicants' request to have the Chapter 11 Proceedings recognized as "foreign proceedings" under section 268 of the *Bankruptcy and Insolvency Act*, R.S.C., c. B-3, as amended (the "**Recognition Order**"), to facilitate recognition of the U.S. Court's expected granting of a super-priority charge over the assets of the Partnerships is required as a condition to certain advances being made under the DIP Facility.

64. In addition to monitoring the business of the Applicants during these CCAA proceedings, the Proposed Monitor will monitor the business of the Partnerships.

CRITICAL SUPPLIERS

65. The Proposed Monitor has been advised that SSC Canada's operations depend on a ready supply of key materials such as wood, chemicals, fuel and energy from third party suppliers. In addition, D&T has been advised that SSC Canada's and Smurfit-MBI's operations are reliant on rail and trucking services, customs brokers and third-party warehouses.

66. Accordingly, D&T understands that the draft Initial Order in these CCAA proceedings contemplates that the CCAA Entities be permitted to pay pre-filing amounts owing to freight forwarding companies. In addition, the draft Initial Order contemplates that the CCAA Entities, with the consent of the Proposed Monitor and the DIP Lenders, be permitted to pay pre-filing amounts to suppliers who are, in the opinion of the CCAA Entities, critical to the CCAA Entities' business. The Proposed Monitor has been advised that as much as $11.6 million may be required to be paid by the CCAA Entities to critical suppliers. The Company has not accrued this full amount in the Cash Flow Forecast on the assumption that these creditors will be required to accept existing credit terms in place for the Company for post-filing purchases.

67. D&T also understands that the U.S. Court will be asked to issue an order allowing the U.S. Debtors to pay certain critical vendors in the ordinary course for both pre and post-filing amounts.

PENSION PLANS AND OTHER EMPLOYEE MATTERS

68. SSC Canada and Smurfit-MBI currently maintain six defined benefit registered pension plans for their employees and retirees (collectively, the "**Defined Benefit Plans**"), although two of these plans are scheduled to be replaced by defined contribution plans on February 29, 2009, pursuant to a previously announced plan redesign. In addition, B.C. Shipper Supplies Ltd. maintains a defined contribution plan (the "**B.C. Plan**") and the unionized employees at Smurfit-MBI's New Westminster, B.C. facility participate in a multi-employer registered pension plan (with the Defined Benefit Plans and the B.C. Plan, the "**Plans**").

69. As at December 31, 2007, the Defined Benefit Plans had an aggregate solvency deficiency of approximately $132 million (collectively, the "**Funding Deficiency**"). The Company has advised the Proposed Monitor that, owing to current market conditions, the Funding Deficiency has likely grown over the course of 2008.

70. SSC Canada and Smurfit-MBI have been making special payments (the "**Special Payments**") in connection with the Funding Deficiency. Special Payments for 2008 totalled approximately $49.7 million in 2008.

71. Smurfit-Stone has advised the Proposed Monitor that SSC Canada and Smurfit-MBI will continue to make current service payments in respect of the Plans but that they will not make any Special Payments during the pendency of the CCAA stay.

72. The CCAA Entities also maintain four non-registered pension plans that are primarily for senior management and directors (the "**Executive Plans**"). The aggregate benefit obligation in connection with the Executive Plans as at January 1, 2008, was approximately $40.6 million. The obligations under the Executive Plans are secured by letters of credit in the amounts of $12,663,990 and $19,787,800, respectively.

73. As outlined in the Jones Affidavit, SSC Canada also maintains a group registered retirement savings plan and deferred profit sharing plan (for employees of both SSC Canada and Smurfit-MBI) and SSC Canada and Smurfit-MBI maintain non-union and union post-retirement benefit plans.

74. The Proposed Monitor will work with Smurfit-Stone to respond to any employee or retiree inquiries in respect of these proposed CCAA proceedings, including in respect of pensions and benefits matters.

CREDITOR NOTIFICATION

75. The Proposed Monitor has been advised by Smurfit-Stone that the books and records of the Company are maintained in such a manner that, given certain time constraints, it would be extremely difficult to separate the creditors of the U.S. Debtors from the creditors of the CCAA Entities. In addition, the Proposed Monitor has been advised that

there may be Smurfit-Stone creditors who are creditors of both the U.S. Debtors and the CCAA Entities.

76. Smurfit-Stone intends to engage Epiq Bankruptcy Solutions, LLC (“**Epiq**”), a leading U.S. bankruptcy services company, to send notice of the Chapter 11 Proceedings to all of the Company’s creditors owed more than $1,000. The Proposed Monitor suggests that, based on the joint filing in Canada and the U.S. by the Applicants (and the filing by the Partnerships in the U.S. and the proposed applicability of the Initial Order to the Partnerships), that such notice include notice of these CCAA Proceedings to the creditors of the CCAA Entities.

77. Accordingly, the draft Initial Order contemplates that Epiq will send notice of these CCAA proceedings to creditors of the CCAA Entities and the U.S. Debtors owed more than CDN $1,000. The notice sent by Epiq will advise that creditors of the CCAA Entities should contact the Proposed Monitor with any questions.

CASH MANAGEMENT SYSTEM AND INTERCOMPANY PAYABLES

78. As requested by the CCAA Entities, D&T will monitor the CCAA Entities’ cash management system, especially as regards intercompany transfers among the CCAA Entities, and between the CCAA Entities and the U.S. Debtors.

79. As described in the Jones Affidavit, there are intercompany payables owing to the CCAA Entities by certain of the other U.S. Debtors. D&T will work with the Company to review these intercompany amounts.

DIRECTORS’ AND OFFICERS’ CHARGE

80. The Company has advised the Proposed Monitor that the draft Initial Order contemplates a super-priority charge in favour of the Applicants’ directors and officers on the property of the CCAA Entities in the amount of $8.6 million (the “**Directors’ Charge**”).

81. The Proposed Monitor has been advised that the Directors’ Charge is necessary for the continued service of the Applicants’ directors and officers during the Company’s restructuring and that the quantum has been calculated relative to certain employee-

related obligations of the Applicants for which the directors and officers may be held liable, and the value of directors' and officers' liability insurance that Smurfit-Stone maintains for all its officers and directors.

CONCLUSIONS

82. D&T is of the view that the restructuring and continuation of Smurfit-Stone and the CCAA Entities as a going concern is the best option available for a variety of reasons, including, *inter alia*:

(a) a going concern restructuring would preserve the value of the Company and the CCAA Entities, whereas a liquidation and wind-down of the Company or the CCAA Entities would likely result in a substantial diminution in value that could ultimately reduce creditors' recoveries against the Company and the CCAA Entities; and

(b) the liquidation and wind-down of the CCAA Entities could eliminate a significant number of jobs, many of which would be preserved if the CCAA Entities are able to continue as a going concern.

83. In these circumstances, the Proposed Monitor is supportive of Smurfit-Stone's efforts to obtain DIP financing so as to avoid the possibility of a liquidation and facilitate a restructuring through the Chapter 11 Proceedings and these CCAA proceedings.

84. D&T understands that the DIP Lenders are only willing to extend credit to SSC Canada under the conditions of the DIP Facility. D&T further understands that Smurfit-Stone, having thoroughly canvassed the market, does not have any satisfactory alternative financing arrangements available.

85. The Proposed Monitor has also been advised by the Company that the DIP Facility provides a significant amount of "new money" that will enable Smurfit-Stone to repay the accounts receivable securitization programs and allow the Company to explore all of its strategic restructuring alternatives to the benefit of all stakeholders.

86. D&T has also been advised that the CCAA Entities have recently been "net-debtors", relying on advances from SSC U.S. to fund working capital requirements.

87. Finally, D&T understands that, without access to financing under the DIP Facility, the Company would face an imminent liquidity crisis and the prospect of a liquidation of its assets. Consequently, the Proposed Monitor recognizes the need for the Applicants to obtain this Honourable Court's approval of the DIP Facility as part of the Initial Order.

88. There are, however, certain features of the DIP Facility that the Proposed Monitor is mindful of. In particular, the DIP Facility contemplates that SSC Canada will guarantee all of SSC U.S.'s borrowings under the DIP Facility. In addition, the DIP Facility and the draft Initial Order contemplate a super-priority charge that would provide JPMorgan with security over all of SSC Canada's assets in respect of borrowings by SSC U.S.

89. Although the Proposed Monitor is not in a position to provide its views on the value of SSC Canada's guarantee or the probability that it will be called upon, the Company has advised D&T that SSC Canada's guarantee of SSC U.S.'s obligations is contingent and that the DIP Facility was negotiated with JPMorgan, a third party lender, on the basis that there would be full recovery of all loans advanced to SSC U.S. under the DIP Facility from the U.S. assets of Smurfit-Stone. Accordingly, there may not be prejudice to any Canadian creditors as a result of the guarantee.

90. Given the state of the credit markets and under the present circumstances, D&T appreciates Smurfit-Stone's view that the proposed DIP Facility is the only viable financing available to both the CCAA Entities and the wider Company at the present time. The Proposed Monitor recognizes the Company's need for ongoing financing and is supportive of its efforts to maintain going concern value and to protect its employees and other stakeholders.

91. The Applicants have advised the Proposed Monitor that they expect to be back before this Honourable Court in the near future regarding the approval of a cross-border protocol to coordinate the orderly and efficient administration of the proposed CCAA proceedings and the Chapter 11 Proceedings.

All of which is respectfully submitted at Toronto, Ontario this 26th day of January, 2009.

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

Per: P. Casey.
Paul Casey

PAUL M. CASEY
SENIOR VICE-PRESIDENT

SCHEDULE "A"

SUMMARY OF CERTAIN CCAA ENTITIES BALANCE SHEETS

[ATTACHED]

Smurfit-Stone Container Canada Inc. & Subsidiaries **Exhibit B**

Unfinalized & Unaudited Entity Balance Sheets [1] **Applicants**

As at December 31, 2008

	Smurfit Stone Container Canada Inc. [2] USD$	MBI Limited [3] CAD$	639647 British Columbia Limited [4] USD$	3083527 Nova Scotia Company [2] USD$	Francobec Company USD$	605681 N.B. Inc. USD$	Stone Container Finance Company of Canada II USD$
ASSETS							
Current Assets							
Cash and Cash Equivalents / (Overdraft)	(7,386,367)	-	251,115	-	-	-	-
Receivables	95,281,725	-	1,638,231	-	8,770	-	-
Inventories	51,238,327	-	562,681	-	52,193	-	-
Prepaid Expenses & Other Current Assets	2,091,335	-	16,998	1,299,862	2,570	-	-
Total Current Assets	141,225,019	-	2,469,024	1,299,862	63,533	-	-
Net Property, Plant & Equipment	318,766,661	-	2,186,318	-	204,442	-	-
Timber	29,726,958	-	-	-	-	-	-
Investments	248,301,579	107	-	202,814,708	-	-	60,788,194
Deferred Debt	1,215,668	-	-	-	-	-	1,266,040
Goodwill	413,267,377	-	-	-	-	-	-
Other Assets	23,210	-	(560)	-	-	128,311	-
	1,011,301,454	107	2,185,757	202,814,708	204,442	128,311	62,054,234
TOTAL ASSETS	1,152,526,473	107	4,654,782	204,114,570	267,975	128,311	62,054,234
LIABILITIES & STOCKHOLDERS EQUITY							
Current Liabilities							
Current Maturity of Long Term Debt	(175,491,075)		31,544	-	-	-	-
Accounts Payable	(66,841,652)		(2,993,655)	-	(7,170)	-	-
Accrued Wages & Salaries	(9,841,624)		-	-	-	-	-
Accrued Interest	(1,385,196)		-	-	-	-	(6,801,389)
Other Accruals	(12,264,089)		-	-	-	-	-
Other Current Liabilities	(4,734,860)	(2)	-	(308,090)	(8,130)	2,171,038	-
Total Current Liabilities	(270,558,496)	(2)	(2,962,111)	(308,090)	(15,301)	2,171,038	(6,801,389)
Long-Term Debt, less current maturities	(192,235,924)		(2,248,414)	-	-	-	(200,000,000)
Other Long-Term Liabilities	(104,924,673)		-	-	-	(3,874,325)	-
Deferred Income	(16,211,556)		(100,127)	16,152,558	-	(640,480)	-
Minority Interest	-		(13,666)	-	-	-	-
Intercompany	(122,004,775)		(596,741)	(209,161,501)	(306,212)	(1,389,862)	148,298,877
Stockholders Equity	(446,591,049)	(105)	1,266,277	(10,797,537)	53,538	3,605,318	(3,551,722)
	(881,967,978)	(105)	(1,692,670)	(203,806,480)	(252,674)	(2,299,349)	(55,252,846)
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	(1,152,526,473)	(107)	(4,654,782)	(204,114,570)	(267,975)	(128,311)	(62,054,234)

Notes

1. Unfinalized and unaudited financial statements as currently available - still subject to year-end and audit adjustments.
2. Limited Partners of Smurfit-MBI
3. General Partner of Smurfit-MBI. Balance Sheet above represents the financial position as at December 31, 2007 (latest available information). No material change anticipated during the year to December 31, 2008.
4. The 639647 British Columbia Limited balance sheet includes the balance sheet for both B.C. Shipper Supplies Limited and Specialty Containers Inc. as these entities results and operations are not accounted for seperately by the Applicant.

Smurfit-Stone Container Canada Inc. & Subsidiaries **Exhibit B**

Unfinalized & Unaudited Entity Profit & Loss Accounts [1] **Applicants**

Year Ended December 31, 2008

	Smurfit Stone Container Canada Inc. [2] USD$	MBI Limited [3] CAD$	639647 British Columbia Limited [4] USD$	3083527 Nova Scotia Company [2] USD$	Francobec Company USD$	605681 N.B. Inc. USD$	Stone Container Finance Company of Canada II USD$
Total Sales	615,392,057	-	16,094,929	-	-	-	-
Intercompany Sales	(537,697,749)	-	(2,429,871)	-	-	-	-
Net Sales	77,694,309	-	13,665,058	-	-	-	-
Cost of Goods Sold	(28,858,580)	-	(12,413,174)	-	(52,079)	-	-
Gross Margin	48,835,729	-	1,251,884	-	(52,079)	-	-
Gross Margin %	62.9%	n/a	9.2%	n/a	n/a	n/a	n/a
Selling General and Administration	(18,142,043)	-	(2,293,463)	(757,197)	38,750	-	-
Restructuring	(37,812,432)	-	-	-	-	-	-
Gain / (Loss) on Sale of Fixed Assets	107,577	-	(164,007)	-	-	-	-
	(55,846,898)	-	(2,457,470)	(757,197)	38,750	-	-
Income / (Loss) from Operations	(7,011,169)	-	(1,205,586)	(757,197)	(13,329)	-	-
Interest Income	17,771,788	-	-	-	-	-	15,250,000
Interest Expense	(86,370,028)	-	(261,467)	(17,700,059)	-	-	(14,980,820)
Equity Income / (Loss) from affiliates	(2,838,134)	-	-	(2,850,250)	-	-	-
Other Net	33,389,805	5	-	(3,480,716)	(9,200)	9,740,504	-
	(38,046,570)	5	(261,467)	(24,031,025)	(9,200)	9,740,504	269,180
Income / (Loss) from Continuing Operations Before Income Taxes and Minority Interest	(45,057,738)	5	(1,467,053)	(24,788,222)	(22,528)	9,740,504	269,180
Provision for income taxes	97,109,000	-	-	6,637,000	-	-	-
Minority interest expense	-	-	47,783	-	-	-	-
	97,109,000	-	47,783	6,637,000	-	-	-
Net Income / (Loss) after tax	52,051,262	5	(1,419,271)	(18,151,222)	(22,528)	9,740,504	269,180

Notes

1. Unfinalized and unaudited financial statements as currently available - still subject to year-end and audit adjustments.
2. Limited Partners of Smurfit-MBI
3. General Partner of Smurfit-MBI. Profit & Loss account above represents the income in the year to December 31, 2007 (latest available information). No material change anticipated during the year to December 31, 2008.
4. The 639647 British Columbia Limited Profit & Loss account includes the results for both B.C. Shipper Supplies Limited and Specialty Containers Inc. as these entities results and operations are not accounted for seperately by the Applicant.

Smurfit-Stone Container Canada Inc. & Subsidiaries — **Exhibit C**

Unfinalized & Unaudited Entity Balance Sheets [1] — **Partnerships**

As at December 31, 2008

	Smurfit-MBI USD$	SLP Finance General Partnership USD$
ASSETS		
Current Assets		
Cash and Cash Equivalents / (Overdraft)	(5,499,596)	-
Receivables	31,985,664	-
Inventories	45,901,015	-
Prepaid Expenses & Other Current Assets	693,234	-
Total Current Assets	73,080,317	-
Net Property, Plant & Equipment	161,818,864	3,567
Timber	-	-
Investments	8,365,106	574,489,697
Deferred Debt	-	-
Goodwill	94,070,551	-
Other Assets	34,815,955	-
	299,070,476	574,493,264
TOTAL ASSETS	372,150,793	574,493,264
LIABILITIES & STOCKHOLDERS EQUITY		
Current Liabilities		
Current Maturity of Long Term Debt	(31,544)	-
Accounts Payable	(61,099,592)	-
Accrued Wages & Salaries	(9,940,421)	-
Accrued Interest	-	-
Other Accruals	(2,112,187)	-
Other Current Liabilities	(3,021,007)	-
Total Current Liabilities	(76,204,751)	-
Long-Term Debt, less current maturities	(135,052)	-
Other Long-Term Liabilities	(45,999,352)	-
Deferred Income	(969,685)	(604,118)
Minority Interest	-	-
Intercompany	96,766,919	257,442,627
Stockholders Equity	(345,608,872)	(831,331,772)
	(295,946,041)	(574,493,264)
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	(372,150,792)	(574,493,264)

Notes

1. Unfinalized and unaudited financial statements as currently available - still subject to year-end and audit adjustments.

Smurfit-Stone Container Canada Inc. & Subsidiaries
Unfinalized & Unaudited Entity Profit & Loss Accounts [1]
Year Ended December 31, 2008

Exhibit C
Partnerships

	Smurfit-MBI USD$	SLP Finance General Partnership USD$
Total Sales	577,706,252	-
Intercompany Sales	(20,237,082)	-
Net Sales	**557,469,170**	**-**
Cost of Goods Sold	(520,469,205)	-
Gross Margin	**36,999,965**	**-**
Gross Margin %	*6.6%*	*n/a*
Selling General and Administration	(34,698,555)	-
Restructuring	(9,268,997)	-
Gain / (Loss) on Sale of Fixed Assets	(100,165)	-
	(44,067,717)	-
Income / (Loss) from Operations	**(7,067,752)**	**-**
Interest Income	7,650,133	44,377,644
Interest Expense	(798,409)	-
Equity Income / (Loss) from affiliates	2,335,457	-
Other Net	(7,081,054)	144,596
	2,106,128	44,522,240
Income / (Loss) from Continuing Operations Before Income Taxes and Minority Interest	**(4,961,624)**	**44,522,240**
Provision for income taxes	-	-
Minority interest expense	-	-
	-	-
Net Income / (Loss) after tax	**(4,961,624)**	**44,522,240**

Notes
1. Unfinalized and unaudited financial statements as currently available - still subject to year-end and audit adjustments.

SCHEDULE "B"

CASH-FLOW FORECAST

[ATTACHED]

\5679730.1

SSC Canada Inc.
Combined Cash Flow Forecast for the 5 week period January 26 to February 27, 2009
(Unaudited)
(In $'000 USD)

	Week Ending						
	30-Jan	6-Feb	13-Feb	20-Feb	27-Feb	Total	Notes
Receipts							
Collection of Accounts Receivables - Third party	6,615	14,969	9,128	5,180	11,606	47,497	Note 1
Collection of Accounts Receivables - Intercompany	-	-	-	6,293	20,237	26,530	Note 2
Other Receipts - Third party	-	-	-	-	-	-	
Total Receipts	6,615	14,969	9,128	11,473	31,842	74,027	
Disbursements							
Purchases - Container Board	(187)	(173)	(173)	(173)	(21,041)	(21,746)	Note 3
Purchases of other raw materials and supplies	(4,539)	(6,811)	(7,041)	(4,435)	(4,375)	(27,200)	Note 4
Non inventory purchases and overheads	(6,003)	(3,007)	(3,743)	(2,040)	(2,040)	(16,834)	Note 5
Employee related costs and benefits	(3,190)	(6,412)	(3,190)	(3,410)	(3,190)	(19,392)	Note 6
Capital Expenditures	(49)	(49)	(890)	(49)	(49)	(1,085)	Note 7
Non operational mill costs	(499)	(406)	(406)	(406)	(406)	(2,122)	Note 8
Restructuring Professional Fees	-	(244)	(81)	(81)	(284)	(690)	Note 9
Applicant's share of centralized services costs	-	-	-	-	-	-	Note 10
Pre-Filing Secured Debt Interest	-	(419)	(160)	(260)	-	(839)	Note 11
DIP Loan Fees and Interest	(1,000)	-	-	-	(422)	(1,422)	
Total Disbursements	(15,466)	(17,520)	(15,684)	(10,853)	(31,808)	(91,331)	
Net cash flow	**(8,851)**	**(2,551)**	**(6,556)**	**620**	**34**	**(17,304)**	
Repayment of A/R securitization loan	(30,864)	-	-	-	-	(30,864)	Note 12
Estimated Opening Cash Balance	705	-	-	-	-	705	
Canadian DIP Loan Advance/(repayment)	39,010	2,551	6,556	(620)	(34)	47,463	Note 13
Closing Cash Balance	-	-	-	-	-	-	
Gross Canadian DIP Availability, net of interim usage	**50,000**	**50,000**	**50,000**	**50,000**	**50,000**	**50,000**	Note 14
Canadian DIP Cumulative Draw	**39,010**	**41,562**	**48,117**	**47,498**	**47,463**	**47,463**	
Net Canadian DIP Availability	**10,990**	**8,438**	**1,883**	**2,502**	**2,537**	**2,537**	

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 5 week period January 26 to February 27, 2009
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 customers' historic average payment patterns, adjusted for an expected temporary slow down in receipts due to the CCAA filing during the first week.

2 Intercompany receipts reflect collection of intercompany sales made by SSCCI to a related company in the US. Collection of intercompany sales will commence in the week ending February 20th, with the balance of the first four weeks of post-filing sales being settled in the week ending February 27th along with the intercompany post-filing purchases.

3 Container board is the principal raw material used in the production of containers and packaging. It is principally purchased from a related company in the US. The first four weeks of intercompany purchases will be settled in the week ending February 27th along with the balance if intercompany sales.

4 Purchases of other raw materials (including wood) and other converting costs represent raw materials and services purchased from third parties and used in the manufacturing process of container board, containers and packaging. Payment for these purchases is assumed to be made on a COD basis.

5 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. These purchases are assumed to be made on a COD basis and the disbursements include security deposits, where it is considered these will have to be provided.

6 Employee costs represent salaries, wages, vacation pay, pension and other benefit costs. Disbursements in respect of the various pension plans are only being made on account of current service; payments in respect of past service costs are assumed to not be made, pending finalization of the restructuring plan.

7 Maintenance capital expenditures are assumed to be made on a COD basis and are based on estimates of actual capital expenditures necessary in the post-filing period.

8 Non-operating mill costs represent occupancy and other non-manufacturing costs associated with the four non-operating mills.

9 Restructuring professional fees only represents the fees of the Applicant's legal advisers, the Monitor and its legal counsel, paid in the period ending February 27, 2009. The post-filing professional fees of the Applicants' Canadian financial advisors and any other restructuring costs are assumed to be paid after February 27, 2009.

10 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 the period from January 26 to February 27 will be invoiced to the Applicants in March 2009 and paid thereafter.

11 Pursuant to the Canadian DIP agreement, the DIP Charge will rank in priority to the Pre-Filing Credit Agreement security. It is therefore proposed that interest and fees (not principal) will be paid to the Pre-Filing Credit Agreement lenders.

12 As noted in the Affidavit, the Applicants owe US$30,864,198 pursuant to an accounts receivable securitization program loan. This loan is expected to be repaid in the first week post filing.

13 DIP loan advances represent advances to the Applicants pursuant to the DIP Loan Financing agreement, which is subject to the availability cap described in Note 14.

14 The DIP Loan availability is subject to a margining formula based on actual accounts receivable and inventory balances. During the interim period of the US proceedings, with respect to the DIP Financing Order (expected to be approximately 30 days), the Canadian DIP Loan availability is restricted to a maximum of US$50M.

15 The Can$/US$ foreign exchange rate is assumed to be constant at 1.2312 throughout the period.