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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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

Applicants

NOTICE OF MOTION
(Returnable August 17, 2009)

Smurfit-Stone Container Canada Inc. ("SSC Canada") and the other Applicants listed on Schedule "A" hereto (the "Applicants") will make a motion before a judge of the Ontario Superior Court of Justice on August 17, 2009, or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order substantially in the form attached to the Motion Record:

(a) approving the asset purchase agreement (the "Asset Purchase Agreement") by and between SSC Canada and Société générale de financement du Québec ("SGF"), which provides for a going concern sale of the private timberlands and related operations (excluding any operations or land relating to SSC Canada's La Tuque, Quebec paperboard mill (the "Mill"), other than the supply of wood and wood products to the Mill from the said timberlands) as presently owned and conducted by SSC Canada in the

City of La Tuque, Domaine-du-Roy Regional County Municipality ("RCM") and the Municipality of Baie James in the Province of Québec and comprising of (i) a continuous block of timberlands located North/Northeast of the Gouin Reservoir (the "North Block"), (ii) a continuous block of timberlands located East of the Gouin Reservoir (the "South Block" and together with the North Block, the "Optioned Land") and (iii) several smaller parcels of land located along the St. Maurice River (the "Lower St. Maurice Block") (collectively, the "Timberland Assets");

(b) authorizing the Applicants and the Monitor to complete all requirements, conditions and transactions contemplated by the Asset Purchase Agreement;

(c) vesting all of the Purchased Assets (as defined in the Asset Purchase Agreement) in GESTION FORESTIÈRE DU SAINT-MAURICE INC. (the "Purchaser"), an affiliate of SGF and assignee of its rights as permitted under the Asset Purchase Agreement, free and clear of any rights, title, claims, security interests or other encumbrances upon delivery of a Certificate by the Monitor confirming payment by SGF of the proceeds of the sale (the "Proceeds") and the fulfilment of all conditions precedent to the sale;

(d) directing that 50% of the Proceeds that are received from SGF which relate specifically to the sale of the Optioned Land, after deducting all expenses and costs incurred in connection with the sale of the Timberland Assets, be delivered to AbitibiBowater Inc. ("AbitibiBowater"), in consideration for (i) the entering into of the wood fibre supply agreement (the "Wood Fibre Supply Agreement") by and between AbitibiBowater and Smurfit-Stone Container Enterprises, Inc. ('SSC Enterprises") and SSC Canada dated July 22, 2009; and (ii) the termination of all other agreements previously entered into between them and/or their respective subsidiaries in respect of (a) the supply of softwood chips, shavings and sawdust to the Mill; and (b) the harvesting (supply) contracts for or in respect of the Timberland Assets.

(e) directing that the remaining proceeds that are received in respect of the sale of the Timberland Assets be applied to the Canadian DIP Term Loan (as defined below);

(f) approving the Wood Fibre Supply Agreement; and

(g) sealing certain portions of the Asset Purchase Agreement, the Wood Fibre Supply Agreement and the Letter Agreement between Smurfit-Stone Container Enterprises, Inc. and Bowater Canadian Forest Products, Inc. dated September 30, 2008 (the "Letter Agreement") and treating them as confidential pending further Order of this Honourable Court.

2. Such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

1. Each of the Applicants is either a direct or indirect subsidiary of Smurfit-Stone Container Corporation, a Delaware corporation ("SSCC") that, together with its subsidiaries, is North America's second largest integrated manufacturer of paperboard and paper-based packaging and is one of the world's largest paper recyclers. SSCC and certain of its direct and indirect subsidiaries, including the Applicants and the Partnerships listed on Schedule "B" hereto, filed for protection from their creditors under title 11 of chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1532, in the United States Bankruptcy Court for the District of Delaware (the "Delaware Court") on January 26, 2009;

2. On January 26, 2009, SSC Canada and the other Applicants and the Partnerships obtained protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), pursuant to an initial order of the Ontario Superior Court of Justice (the "Court"), as subsequently amended and restated (the "Initial Order");

3. The Initial Order granted a stay of proceedings until February 25, 2009, or such later date as the Court may order. By order dated February 24, 2009, the stay of proceedings was

extended to April 30, 2009. By order dated April 28, 2009, the stay of proceedings was extended to June 30, 2009. By order dated June 25, 2009, the stay of proceedings was extended to September 30, 2009.

4. SSC Canada is currently the owner of the largest private harvestable land in Québec with a total surface area of 389,383 hectares (962,204 acres) (the "Timberlands").

5. The Timberlands are located between the Saguenay-Lac-St-Jean and Mauricie regions in the Province of Québec and are split between the Optioned Land and the Lower St. Maurice Block. The Optioned Land represents approximately 98% of the total surface area of the Timberlands.

6. SSC Canada acquired the Timberlands in May 2000, as part of SSCC's acquisition of St. Laurent Paperboard Inc./Cartons St-Laurent Inc. ("St. Laurent Paperboard"). St. Laurent Paperboard acquired the Timberlands over the period of several years, commencing in June 1994 with the acquisition of the Optioned Land from Avenor Inc. ("Avenor"), pursuant to an Asset Acquisition Agreement (the "AAA"). The various parcels of land which now comprise the Lower St. Maurice Block were acquired by St. Laurent Paperboard in the years following the acquisition of the Optioned Land. Among other things, the AAA granted Avenor (and its successors and assigns) certain rights in the event that St. Laurent Paperboard desired to sell the Optioned Land within 99 years, including a right of first refusal to purchase the Optioned Land on certain terms. AbitibiBowater, through a subsidiary, is the successor to Avenor;

7. In early 2008, SSC Canada began to consider its strategic alternatives with respect to the Timberland Assets. SSC Canada engaged Scotia Capital Inc. ("Scotia Capital") in August 2008 as its financial advisor to canvass the market with a view to pursuing a potential divestiture transaction for the Timberland Assets;

8. Shortly after engaging Scotia Capital, SSC Canada advised AbitibiBowater that it was interested in selling the Timberland Assets and asked whether AbitibiBowater would consider waiving its rights under the AAA in consideration for a new sharing of proceeds arrangement and the entering into of a new wood fibre supply agreement for the Mill;

9. On September 30, 2008, SSC Enterprises entered into the Letter Agreement with AbitibiBowater. The Letter Agreement includes, among other things, (i) a two year waiver of

AbitibiBowater's rights under the AAA; and (ii) an agreement that, if the Timberland Assets were sold, SSC Canada would pay an amount equal to 50% of the net proceeds received which relate specifically to the sale of the Optioned Land, after deducting all expenses and costs incurred in connection with the sale of the Timberland Assets, to AbitibiBowater. An essential condition of the Letter Agreement was an agreement that the parties would enter into a new wood fibre supply agreement in respect of the Mill on certain terms;

10. Since its initial retainer, Scotia Capital has worked closely with SSC Canada's management team to market the Timberland Assets. After developing a comprehensive list of potential purchasers, Scotia Capital contacted a total of 57 entities concerning a possible transaction involving the Timberland Assets. SSC Canada received 3 first round, non-binding expressions of interest from prospective purchasers, including an non-bidding expression of interest from SGF;

11. Of the 3 potential purchasers who submitted first round non-binding bids, no binding offers were submitted by the requested deadline of December 16, 2008. SGF submitted a second round non-binding bid on January 21, 2009;

12. On April 30, 2009, following extensive, arm's length negotiations, SSC Canada signed the Asset Purchase Agreement with SGF;

13. The Asset Purchase Agreement contemplates a going-concern sale of all of the Timberland Assets. The total consideration payable by the Purchaser pursuant to the Asset Purchase Agreement is $60,400,000, subject to certain pre and post-closing purchase price adjustments (the "Purchase Price").

14. The proposed sale of the Timberland Assets to SGF represents the best possible transaction in the circumstances for the benefit of the Applicants and Partnerships and their respective stakeholders and has the following benefits:

(a) it represents the maximum recovery available;

(b) it preserves the jobs of the Assumed Employees who worked for or in respect of the Timberland Assets; and

(c) it divests SSC Canada of assets that are non-core to its business;

15. The Asset Purchase Agreement includes certain closing conditions, including a condition that this Honourable Court and the Delaware Court issue an Order approving and authorizing the Timberlands Asset purchase and authorizing SGF to enter into the Asset Purchase Agreement and all related agreements; and (ii) vesting the Timberland Assets in SGF (or its affiliate), free and clear of all encumbrances (other than Permitted Encumbrances);

16. Pursuant to the terms of the Letter Agreement and in consideration for (i) entering into the Wood Fibre Supply Agreement and (ii) terminating of all other agreements previously entered into between by SSC Canada, SSC Enterprises and AbitibiBowater and/or their respective subsidiaries in respect of (a) the supply of softwood chips, shavings and sawdust to the Mill; and (b) the harvesting (supply) contracts for or in respect of the Timberland Assets, SSC Canada intends to pay 50% of the Proceeds that are received from SGF which relate specifically to the sale of the Optioned Land, after deducting from the Purchase Price all expenses and costs incurred in connection with the sale of the Timberland Assets, to AbitibiBowater. SSC Canada anticipates that the total amount payable to AbitibiBowater will be approximately $28 million;

17. SSC Canada intends to apply the remaining proceeds that are received in respect of the sale of the Timberland Assets (totalling approximately $29 million) to the Canadian DIP Term Loan.

18. In furtherance of the terms of the Letter Agreement, SSC Enterprises, SSC Canada and AbitibiBowater entered into the Wood Fibre Supply Agreement on or about July 22, 2009;

19. The initial term of the Wood Fibre Supply Agreement is seven years with an option to extend the term for an additional minimum period of three years;

20. The Wood Fibre Supply Agreement sets out certain minimum annual amounts of wood fibre (sawdust, shavings and woodchips) that AbitibiBowater will sell and SSC Canaada will buy for or in respect of the Mill and specifies the prices for the wood fibre during the first Annual Period (as described therein);

21. In the event that the Wood Fibre Supply Agreement is not consummated, the Mill will be required to substitute sawdust with some other higher cost fibre (*i.e.*, shavings or wood

chips). SSC Canada estimates that substituting sawdust for some other higher cost fibre will significantly increase the Mill's wood fibre cost and will significantly reduce the Mill's pulping capacity;

22. The Wood Fibre Supply Agreement terminates and replaces all existing fibre supply obligations that have been entered into between the parties and their respective subsidiaries for the Mill;

23. The Wood Fibre Supply Agreement is a necessary and reasonable adjunct to the Asset Purchase Agreement and is an essential element of the Letter Agreement;

24. It is just and convenient and in the interests of the Applicants and Partnerships and their respective stakeholders that the Order be granted;

25. SSC Canada has had extensive discussions with the UCC in respect of the Timberland Assets sale and the entering into of the Wood Fibre Supply Agreement and the UCC has indicated that it will not oppose the relief sought by the Applicants in the present motion;

26. The Monitor is reviewing the Wood Fibre Supply Agreement and will be providing its recommendation with respect to same in a report to follow;

27. Certain parts of the Asset Purchase Agreement, the Wood Fibre Supply Agreement and the Letter Agreement contain information that is confidential to SSC Canada and/or its employees, including confidential personal information and commercially sensitive wood fibre pricing information. There is no legitimate rationale for anyone to require disclosure of the personal employee information and revealing sensitive pricing information may give SSC Canada's competitors unfair advantages that would not otherwise be available to them and could disadvantage the Applicants and Partnerships in their ongoing restructuring initiatives;

28. Section 11 of the *CCAA*;

29. Rules 1.04, 1.05, 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended;

30. Sections 100 and 137(2) of the *Courts of Justice Act*, R.S.O. 1990, C. c.43; and

31. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of this motion:

1. The Affidavit of Dean R. Jones, sworn July 28, 2009 and the Exhibits thereto;

2. The Affidavit of Eric Michaud sworn July 28, 2009;

3. The Report of the Monitor (to be filed); and

4. Such further and other materials as counsel may advise and this Honourable Court may permit.

July 30, 2009

OSLER, HOSKIN & HARCOURT LLP
P.O. Box 50
1 First Canadian Place
Toronto, ON M5X 1B8

John A. Macdonald (LSUC #25884R)
Tel: (416) 862-5672

Shawn T. Irving (LSUC #50035U)
Tel: (416) 862-4733
Fax: (416) 862-6666

Lawyers for the Applicants

TO: THE SERVICE LIST

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

Ontario
SUPERIOR COURT OF JUSTICE

Proceeding commenced at TORONTO

NOTICE OF MOTION
(Returnable August 17, 2009)

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario, Canada M5X 1B8

John A. MacDonald (LSUC#: 25884R)
Tel: (416) 862-5672

Shawn T. Irving (LSUC#: 50035U)
Tel: (416) 862-4733
Fax: (416) 862-6666

Lawyers for the Applicants

F. 1116658

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Applicants

AFFIDAVIT OF DEAN R. JONES
(Sworn July 28, 2009)

I, Dean R. Jones, of the City of Montreal, in the Province of Québec, MAKE OATH AND SAY:

1. I am the Senior Counsel, International Affairs & Assistant Secretary, of Smurfit-Stone Container Canada Inc. ("**SSC Canada**") and as such have knowledge of the matters to which I hereinafter depose. Where I have relied on other sources of information, I have specifically referred to such sources and verily believe them to be true.

INTRODUCTION

2. SSC Canada is currently the owner of the largest private harvestable land in Québec with a total surface area of approximately 389,383 hectares (962,204 acres) (the "**Timberlands**"). The Timberlands are located between the Saguenay-Lac-St-Jean and Mauricie regions in the Province of Québec and are comprised of the following three blocks: (i) a continuous block of timberlands located North/Northeast of the Gouin Reservoir (the "**North Block**"); (ii) a continuous block of timberlands located East of the Gouin Reservoir (the "**South Block**" and together with the North Block, the "**Optioned Land**"); and (iii) several smaller parcels of timberlands located along the St. Maurice River (the "**Lower St. Maurice Block**").

3. In early 2008, SSC Canada began to consider its strategic alternatives with respect to the Timberlands. On April 30, 2009, after a comprehensive marketing and sales process, SSC Canada entered into an asset purchase agreement (the "**Asset Purchase Agreement**") with Société générale de financement du Québec ("**SGF**") which provides for a going concern sale of the Timberlands and certain related assets and operations (collectively, the "**Timberland Assets**").

4. This affidavit is therefore sworn in support of a motion seeking an Order, substantially in the form of the draft Order included with the Motion Record:

(a) approving the Asset Purchase Agreement by and between SSC Canada and SGF, which provides for a going concern sale of the Timberland Assets (excluding any operations or land relating to SSC Canada's La Tuque, Quebec paperboard mill (the "**Mill**"), other than the supply of wood and wood products to the Mill from the Timberlands);

(b) authorizing the Applicants and the Monitor to complete all requirements, conditions and transactions contemplated by the Asset Purchase Agreement;

(c) vesting all of the Purchased Assets (as defined in the Asset Purchase Agreement) in Gestion Forestière du Saint-Maurice Inc., an affiliate of SFG and assignee of its rights as permitted under the Asset Purchase Agreement, free and clear of any rights, title, claims, security interests or other encumbrances upon delivery of a Certificate by the Monitor confirming payment by SGF of the proceeds of the sale of the Timberland Assets (the "**Proceeds**") and the fulfilment of all conditions precedent to the sale;

(d) directing that 50% of the Proceeds that are received from SGF which relate specifically to the sale of the Optioned Land, after deducting all expenses and costs incurred in connection with the sale of the Timberland Assets, be delivered to AbitibiBowater Inc. ("**AbitibiBowater**"), in consideration for (i) the entering into of a wood fibre supply agreement (the "**Wood Fibre Supply Agreement**") by and between AbitibiBowater and Smurfit-Stone Container Enterprises, Inc. ('**SSC Enterprises**") and SSC Canada dated July 22, 2009; and (ii) the termination of all other agreements previously entered into between them and/or their respective subsidiaries in respect of (a) the supply of softwood chips, shavings and sawdust to the Mill; and (b) the Supply Contracts (as defined below);

(e) directing that the remaining proceeds that are received in respect of the sale of the Timberland Assets (the "**Remaining Proceeds**") be applied to the Canadian DIP Term Loan (as defined below);

(f) approving the Wood Fibre Supply Agreement; and

(g) sealing certain portions of the Asset Purchase Agreement, the Wood Fibre Supply Agreement and the Letter Agreement (defined below) and treating them as confidential pending further Order of this Honourable Court.

5. Each of the Applicants is either a direct or indirect subsidiary of Smurfit-Stone Container Corporation, a Delaware corporation ("**SSCC**"), that, together with its subsidiaries, is North America's second largest integrated manufacturer of paperboard and paper-based packaging and is one of the world's largest paper recyclers. SSC Canada, together with the other Applicants and Partnerships, is also the second largest integrated manufacturer of such products in Canada.

6. SSCC and certain of its direct and indirect subsidiaries, including the Applicants listed on Schedule "A" hereto and the Partnerships listed on Schedule "B" hereto, filed for protection from their creditors under title 11 of chapter 11 of the *United States Bankruptcy Code, 11* U.S.C. §§ 101-1532 ("**Chapter 11**"), in the United States Bankruptcy Court for the District of Delaware (the "**Delaware Court**") early on January 26, 2009. Later in the day on January 26, 2009, SSC Canada and the other Applicants were granted protection from their creditors pursuant to the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), pursuant to an initial order of the Ontario Superior Court of Justice (Commercial List) (the "**Ontario Court**"), as subsequently amended and restated (the "**Initial Order**"), and Deloitte & Touche Inc. was appointed to act as monitor (the "**Monitor**").

7. The Initial Order, a copy of which is appended as Exhibit "A" to this Affidavit, granted a stay of proceedings until February 25, 2009, or such later date as this Honourable

Court may order. By order dated February 24, 2009, the stay of proceedings was extended to April 30, 2009. By order dated April 28, 2009, the stay of proceedings was extended to June 30, 2009. By order dated June 25, 2009, the stay of proceedings was extended to September 30, 2009.

8. A cross-border insolvency protocol was approved by this Honourable Court by Order dated March 12, 2009.

9. Capitalized terms used herein but not otherwise defined have the meanings ascribed to them in the Asset Purchase Agreement.

The Timberland Assets

(i) Overview of the Timberlands

10. As noted above, the Timberlands are the largest private harvestable land in Québec with a total surface area of 389,383 hectares (962,204 acres). The Timberlands are split between the Optioned Land (which, as noted above, consists of the North Block (235,975 hectares or 583,118 acres) and the South Block (148,434 hectares or 366,795 acres)) and the Lower St. Maurice Block (4,973 hectares or 12,289 acres). The Optioned Land represents approximately 98% of the total surface area of the Timberlands. The Timberlands have a total merchantable inventory of approximately 17.3 million m^3 of which approximately 13.0 million m^3 are softwood species.

11. The Timberlands are located between the Saguenay-Lac-St-Jean and Mauricie regions in Québec. The North Block and the South Block are located approximately 190 km and 130 km, respectively, from La Tuque's urban centre and 175 km and 135 km, respectively, from the Saguenay-Lac-St-Jean region. The Lower St. Maurice Block is located within a 40 km radius around La Tuque's urban centre.

12. The majority of the Timberlands are part of the La Tuque Regional County Municipality ("**RCM**"). Portions of the Optioned Land are also in the Domaine-du-Roy RCM and 3,630 ha of the North block are in the Territoire du Nouveau Québec RCM. The city of La Tuque is the biggest agglomeration in the Mauricie region with approximately 12,200 inhabitants.

13. The Timberland Assets were formed through multiple acquisitions of parcels of land over many years. SSC Canada acquired the Timberland Assets, in May 2000, as part of SSCC's acquisition of St. Laurent Paperboard Inc./Cartons St-Laurent Inc. (**"St. Laurent Paperboard"**). St. Laurent Paperboard acquired the Timberland Assets over the period of several years, starting with the acquisition of the Optioned Land from Avenor Inc. (**"Avenor"**) in June 1994. The various parcels of land which now comprise the Lower St. Maurice Block were acquired by St. Laurent Paperboard in the years following the acquisition of the Optioned Land.

14. The Timberlands benefit from an extensive network of well-maintained roads and bridges. Approximately $9.9 million has been invested over the last 10 years in developing and maintaining the road network. The Timberlands currently have 2 camp buildings for its La Tuque-based employees performing on-site work; one (known as Camp Cooper) can lodge 12 people and one (at Barrage Gouin) can lodge 10 people.

(ii) Species Mix

15. When measured by volume, softwood species make up approximately 75% of the total volume on the Timberlands. The primary softwood species are spruce, white and black, and jack pine (83% of total softwood). The primary hardwood specie is white birch (79% of total hardwood).

16. Approximately 46% of the surface area of the Timberlands are classified under the 50 years old or older classes.

(iii) Operations

17. Since acquiring the Timberland Assets as part of SSCC's acquisition of St-Laurent Paperboard in May 2000, SSC Canada has sold the majority of the Timberlands' harvesting volumes to third parties in exchange for stumpage fees based on the volume and type of wood harvested. SSC Canada generally does not conduct "in-house" harvesting operations on the Timberlands. SSC Canada does, however, typically retain a small portion of the Annual Allowable Cut (defined below) of the Timberlands in reserve for the Mill. Some of the reserve timber is also offered to third party sawmills in exchange for fibre supply (sawdust and wood chips) in periods of timber supply shortage. The customers and SSC Canada share responsibility for the maintenance of the road network on the Timberlands and certain elements of its silvicultural (reforestation) activities.

(iv) The Annual Allowable Cut

18. The Annual Allowable Cut (the "**AAC**") is the amount of timber permitted to be harvested on the Timberlands within a one year period to ensure the sustainability and productivity of the Timberlands. The Timberlands' AAC has historically been calculated every 10 years as part of the Timberlands' Forest Management Plan (described below). The most recent computation was conducted in 2001 using inventory data from 1999. The optimal AAC for softwood on the Timberlands has been established at 290,000 m^3 and 70,000 m^3 for hardwood species. The softwood AAC on the Timberlands has fluctuated between 280,000 m^3 and 308,000 m^3 since 1965. A new calculation has been commenced with a new AAC expected to be released in 2010-2011 along with the Timberlands' Forest Management Plan for the 2011-2021 period. Since 2001, SSC Canada has invested over $8.4 million in silvicultural work based on its assessment of the Timberlands' characteristics in order to ensure that the available AAC level can be maintained.

19. Since setting the softwood AAC at 290,000 m^3 in 2001, annual harvesting levels on the Timberlands' have, on average, been under the AAC by approximately 70,000 m^3. With the currently weak economic conditions expected to last until the end of 2009 and possibly beyond, SSC Canada estimates harvesting levels for the years ending December 31, 2009 and 2010 will remain significantly below the AAC. SSC Canada estimates the inventory backlog from five years of under-harvesting can be harvested in the years following a market recovery. As a result, in 2012, it is estimated that over 425,300 m^3 allowed under the softwood AAC for the preceding 5-year period will not have been harvested. Consequently, SSC Canada projects an additional 85,060 m^3 per year can be harvested over the 2012 to 2016 period.

(v) Customers

20. SSC Canada currently has harvesting (supply) contracts in respect of the Timberlands with two parties: (i) AbitibiBowater (2 contracts); and (ii) the Opitciwan Sawmill, a limited partnership formed by AbitibiBowater and the Atikamekw Opitciwan First Nations community.

21. The harvesting (supply) contracts with AbitibiBowater provide for annual cutting rights of 150,000 m^3 and 75,000 m^3 respectively for an aggregate total of 225,000 m^3 (the "**AbitibiBowater Supply Contracts**"). The AbitibiBowater Supply Contracts have rolling terms of three and five years respectively and both have automatic annual 1-year add-on provisions on

March 31st of every year unless a party provides a notice of its intention to not extend the duration of the contract. AbitibiBowater recently delivered termination notices for both contracts. The AbitibiBowater Supply Contracts will nonetheless remain in force until March 31, 2011 (in respect of the 150,000 m³ contract) and 2012 (in respect of the 75,000 m³ contract), respectively.

22. The Opitciwan Sawmill's harvesting contract provides for annual cutting rights of 15,000 m³ (the "**Opitciwan Supply Contract**"). The Opitciwan Supply Contract has a rolling term of 3 years and also contains an automatic annual 1-year add-on provision on March 31 of every year unless a party provides a notice of its intention to not extend the duration of the contract. The Opitciwan Supply Contract continues in force in accordance with its terms and may not be terminated by either party prior to March 11, 2011. Since 1999, the Opitciwan sawmill has harvested an average of 55,900 m³ annually. The amounts in excess of their contractual rights were provided by AbitibiBowater.

(vi) Employees and Contractors

23. Eleven people, all of whom are non-unionized, work for or in respect of the Timberland Assets.

24. SSC Canada also has well established relationships with a select number of contractors for silvicultural work on the Timberlands. These contracts are renewable annually and SSC Canada designates the terms of the silvicultural activities, including the type and location of the work performed as well as measures to ensure compliance to defined standards.

The 1994 Asset Acquisition Agreement

25. As described above, SSC Canada acquired the Timberland Assets as part of its acquisition of St. Laurent Paperboard in May 2000. St. Laurent Paperboard acquired the Timberland Assets over the period of several years, starting with the acquisition of the Optioned Land, and certain other assets and operations, including certain manufacturing facilities in Québec and Ontario, from Avenor in June 1994, as part of Avenor's spin-off of St. Laurent Paperboard, pursuant to an asset acquisition agreement (the "**Asset Acquisition Agreement**"). St. Laurent Paperboard acquired the various parcels of lands which now comprise the Lower St. Maurice Block in the years following the acquisition of the Optioned Land from Avenor.

26. Of relevance to the present motion, the Asset Acquisition Agreement provided Avenor with a right of first refusal in the event that St. Laurent Paperboard desired to sell the Optioned Land.

27. Specifically, section 5.1 provides that, if at any time until the 99th anniversary of the effective date of the transaction, St. Laurent Paperboard desires to sell, transfer or otherwise alienate 250 acres or more of the Optioned Land to a person acting at arm's length from St. Laurent Paperboard, then St. Laurent Paperboard shall first offer to sell outright the Optioned Land to Avenor. Avenor then has the option to: (a) accept the offer and purchase the Optioned Land in accordance with all non-price terms at a price per acre equal to the lesser of (i) twenty-five dollars ($25) per acre; or (ii) the price specified in the original offer; or (b) refuse the offer, in which case Avenor nonetheless "shall be entitled to receive an amount equal to the excess (if any) of (i) the price per acre such third person paid for the Optioned Land, over the sum of (ii) twenty-five dollars ($25) per acre and (iii) all expenses [...] incurred by St. Laurent Paperboard in connection with the sale":

> 5.1 **<u>Right of First Refusal on Freehold Immoveables</u>**. If, at any time on or after the Effective Time until the ninety-ninth (99th) anniversary thereafter, St. Laurent desires to sell, transfer or otherwise alienate, directly or indirectly, including by way of dismemberments, two hundred and fifty (250) acres or more of the Freehold Immoveables (the "Optioned Land") in any one transaction or series of related transactions to a Person acting at arm's length from St. Laurent (whether St. Laurent received an offer from the Person, made an offer to the Person or proposes to make an offer to any Person – in each case, the "Original Offer"), then St. Laurent shall first offer to sell outright (the "Offer") such Optioned Land to Avenor in accordance with the procedure set forth in this Section 5.1. Notwithstanding the foregoing, a series of two or more sales, transfers or alienations with the same Person, or an Affiliate thereof, within a period of one (1) year shall be deemed to be "one transaction or series of related transactions" for the purposes of this Section 5.1.
>
> The Offer shall be sent to Avenor and shall be open for acceptance by Avenor for sixty (60) days (the "Offer Period") from the receipt of the Offer by Avenor. The Offer shall specify all of the essential terms of the Original Offer, including, without limitation, a description of the Optioned Land, the approximate area of the Optioned Land, the price per acre under the Original Offer of the Optioned Land, the method of payment of the price for the Optioned Land and the proposed date for closing for the purchase of the Optioned Land.
>
> Avenor shall be obliged by delivering notice to St. Laurent within, but not after the expiration of, [sic] the Offer Period at its sole option to either:
>
> (a) accept the Offer, or
>
> (b) reject the Offer.

> If Avenor does not accept the Offer within the Offer Period, then it shall be deemed to have rejected the Offer.
>
> If Avenor has accepted the Offer, then St. Laurent shall sell outright to Avenor, and Avenor shall purchase from St. Laurent, the Optioned Land in accordance with the [sic] all of the non-price terms of the Original Offer (or on such other reasonable terms as the Parties may mutually agree) at a price equal to the lesser of (i) twenty five dollars ($25) per acre, and (ii) the price specified in the Original Offer.
>
> If Avenor has or is deemed to have rejected the Offer, then St. Laurent shall be free for a period of ninety (90) days from the end of the Offer Period to sell all (but not less than all) of the Optioned Land to any Person on terms (including, without limitation, the aggregate price) not more favourable than as provided in the Offer. If St. Laurent elects to sell, transfer or otherwise alienate (including by way of dismemberment) the Optioned Land to a third Person in accordance with this Section 5.1 after Avenor has or is deemed to have rejected the Offer, then Avenor shall be entitled to receive an amount equal to the excess (if any) of (i) the price per acre such third Person paid for the Optioned Land, over the sum of (ii) twenty five dollars ($25) per acre and (iii) all expenses (including, without limitation, commissions, professional fees and mutation taxes) incurred by St. Laurent in connection with the sale. St. Laurent shall pay Avenor such amount, without the necessity of a prior demand, immediately upon the receipt of the consideration by St. Laurent from such third Person; if the third Person pays for the Optioned Land by instalment, St. Laurent shall pay Avenor upon the receipt of each instalment a proportion of the above-referenced excess equal to the proportion the instalment is to the aggregate purchase price.
>
> ...

28. The Asset Acquisition Agreement includes a standard successor in interest provision. Specifically, section 10.2 of the Asset Acquisition Agreement provides as follows:

> 10.2 Successors in Interest. This Agreement and the provisions hereof shall enure to the benefit of and be binding upon the Parties and their respective successors and assigns. Neither party may assign the agreement or any of its rights and obligations hereunder without the prior written consent of the other Party. No assignment shall relieve the assignor of its obligations hereunder.

29. In or about 1998, Avenor was acquired by Bowater Canadian Forest Products, Inc. (**"BCFPI"**), a subsidiary of Bowater Inc. (**"Bowater"**). In October 2007, Bowater merged with Abitibi Consolidated Inc. (**"Abitibi Consolidated"**) to become AbitibiBowater. As noted above, SSC Canada acquired St. Laurent Paperboard in May 2000.

The Letter Agreement with AbitibiBowater

30. In early 2008, SSC Canada began to consider its strategic alternatives with respect to the Timberland Assets. In August 2008, SSC Canada engaged Scotia Capital Inc. (**"Scotia Capital"**) to act as SSC Canada's financial advisor to canvass the market with a view to pursuing a potential divestiture transaction for the Timberland Assets.

31. At all times, SSC Canada has acknowledged that, as a successor of St. Laurent Paperboard, it is bound by and is required to comply with the restrictive covenants set out in the Asset Acquisition Agreement, including the right of first refusal in respect of the Optioned Land set out in section 5.1. To that end, shortly after engaging Scotia Capital, SSC Canada commenced discussions with AbitibiBowater to advise it that SSC Canada was interested in selling the Timberland Assets and to determine whether it would consider waiving BCFPI's rights under section 5.1 of the Asset Acquisition Agreement in consideration for a new sharing of proceeds arrangement and the entering into of a new wood fibre supply agreement for the Mill.

32. On or about September 30, 2008, following a series of negotiations, SSC Enterprises entered into a letter agreement (the **"Letter Agreement"**) with BCFPI in respect of, among other things, a temporary waiver of certain of BCFPI's rights under the Asset Acquisition Agreement. In particular, in the Letter Agreement the parties agreed, *inter alia*, that:

(a) BCFPI would waive its rights under section 5.1 of the Asset Acquisition Agreement for a period of two years;

(b) SSC Canada would undertake as promptly as possible the process of marketing and selling the Timberland Assets;

(c) in the event that a sale of the Timberland Assets was consummated by SSC Canada, SSC Canada would pay to BCFPI an amount equal to 50% of the net proceeds received which relate specifically to the sale of the Optioned Land, after deducting from the purchase price all expenses and costs incurred in connection with the sale of the Timberland Assets, immediately upon receipt of the purchase price by SSC Canada; and

(d) in the event that the net proceeds from the sale of the Optioned Land were less than $50 per acre, SSC Canada would pay to BCFPI only that portion of the net proceeds that exceeds $25 per acre.

33. In addition, BCFPI and SSC Enterprises and SSC Canada agreed that, as a key consideration to the sharing of proceeds arrangement, the parties would enter into a new wood fibre supply agreement in respect of the Mill, the terms and conditions of which were appended as an exhibit to the Letter Agreement. The parties acknowledged that the terms and conditions of

the new wood fibre supply agreement formed an integral part and essential condition of the Letter Agreement. A copy of the Letter Agreement with the attached term sheet dated September 30, 2008 and accepted on October 8, 2008 is attached as Exhibit "B" to this Affidavit.

34. On April 16, 2009, AbitibiBowater filed for and was granted protection from its creditors in the United States under Chapter 11 of the Bankruptcy Code (the "**AbitibiBowater Chapter 11 Proceeding**"). On April 17, 2009, AbibitiBowater was granted protection from its creditors pursuant to the CCAA, pursuant to an initial order of the Superior Court of Québec.

Marketing and Sales Efforts

35. As described in greater detail in the affidavit of Eric Michaud dated July 28, 2009, the sales and marketing process in respect of the Timberland Assets was conducted by Scotia Capital in two phases. In the first phase of the sales process, Scotia Capital contacted 57 potential purchasers which it thought might be capable and interested in acquiring the Timberland Assets. Of the 57 potential purchasers contacted by Scotia Capital, 50 parties expressed some level of interest in respect of an acquisition involving some or all of the Timberland Assets. "Teaser" documents were developed and distributed to these 50 potential purchasers and SSC Canada ultimately entered into non-disclosure agreements with 13 parties - 9 strategic purchasers and 4 financial investors. The 13 potential purchasers who entered into non-disclosure agreements with SSC Canada were also provided with a copy of a confidential information memorandum ("**CIM**") and were invited to submit non-binding expressions of interest by late October 2008. The CIM provided a comprehensive description of the Timberland Assets.

36. Of the 13 potential purchasers who executed non-disclosure agreements and received a CIM, SSC Canada received first round non-binding bids for the Timberland Assets from three parties - 2 bids from strategic purchasers and 1 from SGF, a Québec provincial government financial institution.

37. In the second phase of the sales process, Scotia Capital reviewed the three first round non-binding bids and discussed them with SSC Canada's management team. SSC Canada, together with Scotia Capital, met with and delivered management presentations to two of the parties who submitted first round bids (SGF and another party) and provided those parties with access to a confidential on-line data room.

The SGF Non-Binding Bid

38. No binding offers were submitted in respect of the Timberland Asset by the requested deadline of December 16, 2008. SGF submitted a second round non-binding bid on January 21, 2009. SSC Canada proceeded to negotiate with SGF between February and April 2009 in an attempt to reach an agreement to secure the best possible transaction for the sale of the Timberland Assets.

39. On April 30, 2009, following extensive, arm's length negotiations, SSC Canada signed the Asset Purchase Agreement with SGF (hereinafter, the "**Purchaser**"). The Asset Purchase Agreement is subject to the approval of this Honourable Court. A copy of the Asset Purchase Agreement with schedules is attached as Exhibit "C" to this Affidavit.

The Asset Purchase Agreement

40. The Asset Purchase Agreement provides that SSC Canada agrees to sell, assign, convey and transfer to the Purchaser, and the Purchaser agrees to purchase and acquire from SSC Canada, at the time of Closing, the Purchased Assets (defined below).

41. The total consideration payable by the Purchaser pursuant to the Asset Purchase Agreement is $60,400,000, subject to certain pre and post-closing purchase price adjustments (the "**Purchase Price**"). As noted above, the Optioned Land represents approximately 98% of the assets being sold to the Purchaser under the Asset Purchase Agreement.

A. The Purchased Assets

42. The Purchased Assets consist of all of the undertaking, business and assets relating to the ownership and management of the Timberland Assets (defined in the Asset Purchase Agreement as the "**Business**"), including all of SSC Canada's right, title and interest in the following assets in connection with such undertaking, business and operations, in each case to the exclusion, without limitation, of the Excluded Assets (defined below):

(a) the Books and Records;

(b) the Contracts;

(c) the Equipment;

(d) the Licences, to the extent assignable;

(e) the Intellectual Property;

(f) the Prepaid Expenses;

(g) the Real Property;

(h) the Real Property Leases;

(i) the Rolling Stock;

(j) the Third Party Leases;

(k) the inventory; and

(l) all of SSC Canada's property located on premises leased pursuant to the Camp Leases.

B. Excluded Assets

43. The Asset Purchase Agreement provides, *inter alia*, that certain of the property and assets of SSC Canada in respect of the Business will not be acquired by the Purchaser (the "**Excluded Assets**"). The Excluded Assets include the following:

(a) all accounts receivable, notes receivable, book debts and other debts due or accruing due to SSC Canada with respect to the Business at the close of business on the Closing Date;

(b) all insurance policies of SSC Canada associated with the Business;

(c) all tax refunds and credits receivable by SSC Canada;

(d) all cash on hand, bank balances, moneys in the possession of banks and other depositories, term or time deposits, guaranteed investment certificates, treasury bills, other securities and other similar cash or cash-equivalent items (other than Prepaid Expenses);

(e) all inter-company accounts receivable;

(f) all immovable property other than the Real Property;

(g) all items listed in Schedule 1.1(y) of the Asset Purchase Agreement;

(h) the "Smurfit" and "Smurfit-Stone" names, marks, logos, trade dresses and names, marks, logos or trade dresses similar thereto; and

(i) SSC Canada's rights, title, interest under the Wood Chip Contracts (as defined below) and the Supply Contracts (as defined below).

44. For greater certainty, the Mill is an Excluded Asset and is therefore not being acquired by the Purchaser pursuant to the Asset Purchase Agreement.

C. Assumed Liabilities

45. At Closing, the Purchaser shall assume all of the "Assumed Liabilities". A summary of the Assumed Liabilities (which specifically do not include the "Excluded Liabilities") is as follows:

(a) all written or oral contracts, agreements, leases, unfilled orders, forward commitments, indentures, instruments, commitments and orders made by or in favour of SSC Canada primarily in connection with the Business, other than those forming part of or pertaining primarily to the Excluded Assets (collectively, the "**Contracts**");

(b) all permits, licences, certificates of compliance, consents, approvals and authorizations of, or registrations with, any "Governmental Authority", held by SSC Canada and pertaining primarily to the Business or the Purchased Assets, including certain material licences (collectively, the "**Licenses**"); and

(c) all leases for "Real Property" made in favour of SSC Canada, as lessee or tenant and all leasehold improvements on, in, over or under such "Leased Real Property" which belongs to SSC Canada (collectively, the "**Real Property Leases**").

D. Excluded Liabilities

46. Other than the Assumed Liabilities, no other liabilities or obligations of SSC Canada or with respect to its business or assets are being assumed by the Purchaser. The "Excluded Liabilities" include, without limitation, the following:

(a) all liabilities and obligations of SSC Canada under the following wood chip contracts (collectively, the "**Wood Chip Contracts**"):

(1) *Contrat d'achat de rejets de tamisage de copeaux* (65-39-2002) between BCFPI and Embllages Smurfit-Stone Canada Inc. ("**ESSCI**") dated August 1, 2002;

(2) *Contrat d'achat de sciures et rabotures résineuses* (65-89-2001) between BCFPI and ESSCI dated April 1, 2001;

(3) *Contrat d'achat de copeaux résineux* (65-39-2003) between Le Syndicat des Producteurs de Bois de la Mauricie and ESSCI dated March 1, 2003; and

(4) to the extent not already terminated, *Contrat d'achat de sciures et rabotures et de rejets de tamisage de copeax* (65-74-2001) between Abitibi Consolidated and ESSCI dated April 1, 2001.

(b) all liabilities and obligations of SSC Canada under the following harvesting (supply) contracts (collectively, the "**Supply Contracts**"):

(1) *Contrat de vente de bois sur pied* (50-3VP-01) between ESSCI and Abitibi-Consolidated dated November 25, 2001; and

(2) *Contrat de vente de bois sur pied* (50-6VP-01) between ESSCI and BCFPI dated June 3, 2002; and

(c) all salary, wages, bonuses, benefits, vacation pay, severance, indemnity in lieu of notice of termination, retirement and pension benefits and all other amounts, if any, which may be payable to the "Excluded Employees".

E. Employees

47. The Asset Purchase Agreement provides that the Purchaser shall employ the Assumed Employees (listed in Schedule 2.7 of the Asset Purchase Agreement) as of the Closing Date, which employment shall be on substantially similar terms and conditions enjoyed by the

Employees immediately prior to the Closing Date. There are eight employees listed on schedule 2.7.

48. SSC Canada has agreed to pay, satisfy or otherwise settle all salary, wages, bonuses, benefit, vacation pay, severance, indemnity in lieu of notice of termination, retirement and pension benefits and all other amounts, if any, which may be payable to the Excluded Employees and to indemnify and hold the Purchaser harmless in respect of same.

F. Conditions of Closing

49. The Asset Purchase Agreement includes certain closing conditions that are required to be satisfied on or before the time of Closing. A summary of the principal conditions of Closing include the following:

(a) all of the representations and warranties of the Purchaser and of SSC Canada shall be true and accurate in all material respects;

(b) all of the terms, covenants and conditions of the Asset Purchase Agreement which are to be complied with or performed by the parties shall have been complied with or performed in all material respects;

(c) the hypothec in favour of National Bank Trust Inc. registered at the land registry office of the Registration Division of La Tuque under number 11 805 716 shall, by registration of the Final Judgment on the relevant index of immoveables, be discharged and shall be shown as totally discharged on the index of immoveables at the said registry office in respect of the Real Property affected thereby, and all other Liens that are not Permitted Encumbrances shall have been fully discharged as against the Purchased Assets, as evidenced by entry of the Final Judgment, in each case at no cost to the Purchaser;

(d) no Material Adverse Effect shall have occurred;

(e) the Purchaser shall have been issued an owner's title insurance policy in respect to the Real Property;

(f) the Transitional Services Agreement and the Lease shall have been duly executed by SSC Canada;

(g) the Supply Contracts shall have been terminated by instrument in writing, including a renunciation of all cutting or harvesting rights paid in advance;

(h) payment by the Purchaser of the Purchase Price

(i) an order of the Ontario Court and the Delaware Court shall have been entered (i) approving and authorizing the Timberlands Asset purchase and authorizing the Purchaser to enter into the Asset Purchase Agreement and all related agreements; and (ii) vesting the Purchased Assets in the Purchaser, free and clear of all claims, liabilities, obligations, rights of first refusal, or other pre-emptive rights in favour of third parties or Liens (other than Permitted Encumbrances), and the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or, in the event that an appeal has been sought, such appeal shall have been denied by the highest court to which such order was appealed and the time to take any further appeal shall have expired.

G. Assignment

50. The Asset Purchase Agreement provides that no party will assign the agreement or any interest therein without the written consent of the other party having first been obtained, which consent may be withheld by the other party for any reason in its sole discretion; provided however, that such consent shall not be required if a party assigns the Asset Purchase Agreement to one or more of its Affiliates (as defined therein).

51. It is my understanding that the Purchaser has assigned its rights under the Asset Purchase Agreement to its affiliate, Gestion Forestière du Saint-Maurice Inc., and that, should it be granted, the Order will vest all of the Purchased Assets in Gestion Forestière du Saint-Maurice Inc.

Direction to Pay a Portion of Proceeds to AbitibiBowater

52. Pursuant to the express terms of the Letter Agreement, and provided that this Honourable Court and the Delaware Court approve the Asset Purchase Agreement and grant an Order substantially in the form of the draft Order included in the Motion Record, SSC Canada intends to pay 50% of the Proceeds that are received from SGF which relate specifically to the

sale of the Optioned Land, after deducting from the Purchase Price all expenses and costs incurred in connection with the sale of the Timberland Assets, to AbitibiBowater. The proceeds received in respect of the sale of the Optioned Land represents approximately 98% of the total proceeds received in respect of the sale of the Timberland Assets.

53. SSC Canada anticipates that the total proceeds payable to AbitibiBowater will be approximately $28 million.

Direction to Apply Remaining Proceeds to Canadian DIP Term Loan

54. Pursuant to the terms of the Initial Order, the Ontario Court authorized a debtor-in-possession credit facility (the "**DIP Facility**") in order to, amongst other things, finance the Applicants' and Partnerships' post-filing working capital requirements and permitted capital expenditures. The total commitment under the DIP Facility is US$750 million and is comprised of (i) US$315 million in revolving facilities available to both SSC Enterprises and SSC Canada; (ii) a $400 million term loan available to SSC Enterprises; and (iii) a US$35 million term loan (the "**Canadian DIP Term Loan**") available to SSC Canada.

55. As at July 16, 2009, the amount drawn under the Canadian DIP Term Loan totalled US$35 million.

56. The Initial Order grants a super-priority charge on the Applicants' property, including the real property listed on Schedule "C" to the Initial Order, for all amounts borrowed under the DIP Facility (the "**DIP Charge**"), ranking in priority to all other liens, charges and security interests, but subordinate to the Directors' Charge (as defined in the Initial Order) and a portion of the Administration Charge (as defined in the Initial Order). The Timberlands are listed on Schedule "C" to the Initial Order. The DIP Charge ranks in priority to the security granted under the Applicants' and Partnerships' pre-filing (2004) secured credit facility.

57. SSC Canada is expressly permitted to sell the Timberland Assets under the DIP Facility. Specifically, section 6.12 of the DIP Facility provides as follows:

> Section 6.12 **Disposition of Assets.** Except as may be authorized by orders of the Bankruptcy Court or the Canadian Court, as applicable, and on terms and conditions acceptable to the Administrative Agent, each of the Loan Parties will not, and will cause their Subsidiaries not to, sell or otherwise dispose of any assets…except for […] (iii) sales of assets listed on Schedule 6.12; […]

58. Schedule 6.12 includes as a "Permitted Asset Sale":

> Canadian Borrower's Quebec timberlands with a total surface area of 389,383 hectares (962,204 acres) which are comprised of a North Block (235,975 hectares or 583,118 acres), a South Block (148,434 hectares or 366,795 acres) and a Lower Saint-Maurice block (4,973 hectares or 12,289 acres).

59. Subject to the approval of this Honourable Court and the approval of the Delaware Court, SSC Canada intends to apply the Remaining Proceeds (totalling approximately $29 million) to the Canadian DIP Term Loan.

The Wood Fibre Supply Agreement

60. As noted above, one of the essential conditions of the Letter Agreement was that SSC Canada and AbitibiBowater enter into a new wood fibre supply agreement in respect of the Mill. To that end, on or about July 22, 2009, SSC Enterprises, SSC Canada and AbitibiBowater entered into the Wood Fibre Supply Agreement. The initial term of the Wood Fibre Supply Agreement is seven years and the agreement includes an option to extend the term of the supply agreement for an additional minimum period of three years upon the same terms and conditions. A copy of the Wood Fibre Supply Agreement is attached as Exhibit "D" to this Affidavit.

61. Set out below are some of the principal terms of the Wood Fibre Supply Agreement:

(a) AbitibiBowater will sell to SSC Canada from its forest products facilities identified in the Wood Fibre Supply Agreement (the "**Facilities**"), and SSC Canada will accept, purchase and arrange to have delivered at the Mill, a minimum annual supply of (i) jack pine wood chips ("**Wood Chips**"); (ii) softwood shavings ("**Shavings**"); and (iii) softwood sawdust ("**Sawdust**");

(b) AbitibiBowater will provide SSC Canada on a quarterly basis not later than 30 days prior to the commencement of each quarter, a production forecast for Wood Chips, Shavings and Sawdust per each of the Facilities for the ensuing quarter, and during the quarter monthly estimates of such production at the beginning of each month in order to assist SSC Canada in its operations planning at the Mill;

(c) Wood Chips, Shavings and Sawdust delivered pursuant to the Wood Fibre Supply Agreement must meet specifications consistent with historical practices;

(d) for the first 12 month period commencing on October 1, 2008 (the "**Effective Date**") and ending on September 30, 2009, prices will be below current market rates;

(e) after the first twelve month period commencing on the Effective Date (the "**Annual Period**"), pricing for Wood Chips, Shavings (subject to the exception below) and Sawdust will be adjusted to reflect market prices to the extent possible for each type of fibre for each subsequent Annual Period during the term of the agreement. The parties will meet at least 90 days prior to the end of each Annual Period and exercise their good faith best commercial efforts to mutually determine the market prices for the ensuing Annual Period. In the event the parties fail to reach agreement, a neutral third party arbitrator (agreed upon by both parties) will determine the market prices for Wood Chips, Shavings and Sawdust for the Annual Period in dispute which determination will be (i) final and binding upon the parties and (ii) in the event such determination is made after October 1 if the Annual Period in dispute, applied retroactively as of and from October 1 of the Annual Period in dispute for the duration of such Annual Period;

(f) the price for Shavings will not be adjusted after the first Annual Period to reflect market prices until such time during the second Annual Period (which period begins October 1, 2009 and ends September 30, 2010) as AbitibiBowater delivers a certain quantity of Shavings to SSC Canada (the "**Shortfall Tonnage**"). Upon fulfillment by AbitibiBowater of its obligation to deliver the Shortfall Tonnage to SSC Canada, the price for Shavings will be adjusted for the remainder of the second Annual Period to reflect the market price for Shavings as determined by the parties, exercising their good faith best commercial efforts.

(g) in the event prices for Wood Chips, Shavings and/or Sawdust are determined by arbitration, either party may, if not satisfied with such determination, elect to terminate the agreement on two years' written notice given to the other party not more than 30 days after the date of the arbitrator's determination.

(h) the Wood Fibre Supply Agreement forever terminates, replaces and constitutes a mutual full and final release and discharge of each party in favour of the other in connection with existing fibre supply obligations that have been entered into between them and their respective subsidiaries for the Mill listed in section 15 thereof.

62. At the time the Wood Fibre Supply Agreement was signed, the following ancillary agreements were also executed by the parties: (i) an agreement to terminate the existing fibre supply obligations in respect of the Mill (as listed in section 15 of the Wood Fibre Supply Agreement) (the "**Termination Agreement**"); (ii) a waiver and release given by AbitibiBowater in favour of SSC Canada wherein AbitibiBowater waived all of its rights and interests in respect of the Optioned Land, including its rights under section 5.1 of the Asset Acquisition Agreement (the "**Waiver and Release**"); and (iii) an indemnity agreement wherein AbitibiBowater and SSC Canada each agreed to share the risk and cost of any (a) indemnity amount which may become payable to SGF under the Asset Purchase Agreement and (b) expenses incurred to defend against and/or settle any such claim (the "**Indemnity Agreement**"). The parties have agreed that the Termination Agreement, the Waiver and Release, the Indemnity Agreement and the Wood Fibre Supply Agreement are to be held in escrow and will only become enforceable upon payment to AbitibiBowater of 50% of the Proceeds that are received from SGF which relate specifically to the sale of the Optioned Land, after deducting all expenses and costs incurred in connection with the sale of the Timberland Assets. Copies of the Termination Agreement, the Waiver and Release and the Indemnity Agreement are attached as Exhibits "E", "F", and "G" to this Affidavit, respectively.

63. It is SSC Canada's belief that the Wood Fibre Supply Agreement is fair and reasonable in the circumstances. It is my understanding that the Monitor is reviewing the Wood Fibre Supply Agreement and will be providing its recommendation with respect to same in a report to follow.

64. It is my further understanding that AbitibiBowater will be seeking a declaration from the Delaware Court in the AbitibiBowater Chapter 11 Proceeding confirming its capacity to enter into the Wood Fibre Supply Agreement.

The Asset Purchase Agreement is the Best Transaction Available to SSC Canada

65. Based on the marketing initiatives taken by Scotia Capital and the bids received, I believe that the Asset Purchase Agreement represents the best possible transaction in the circumstances for the benefit of SSC Canada and its stakeholders, including its secured and unsecured creditors.

66. The Asset Purchase Agreement has the following benefits:

(a) it represents the maximum recovery available to SSC Canada and a significant source of recovery for creditors;

(b) it preserves the jobs of the Assumed Employees who worked for or in respect of the Timberlands Assets;

(c) it divests SSC Canada of assets that were non-core to its business; and

(d) it is unopposed by the Committee of Unsecured Creditors of SSC Canada et al. (the "UCC"). SSC Canada has had extensive discussions with the UCC in respect of the Timberland Assets sale and the entering into of the Wood Fibre Supply Agreement. The UCC has been kept fully updated on the present motion.

67. In the event that the sale of the Timberland Assets and the Wood Fibre Supply Agreement (which is conditional on the approval of the Asset Purchase Agreement) are not completed and/or approved by this Honourable Court, it is estimated, based upon a comprehensive analysis conducted by SSC Canada, that the net present value of additional costs and lost productivity at the Mill going forward (as described below) will be significantly in excess of the amount to be paid to AbitibiBowater in respect of the sale of the Optioned Land.

68. In particular, if the sale of the Timberland Assets does not close and the Wood Fibre Supply Agreement is not approved by this Honourable Court, it is highly unlikely that SSC Canada will be able to obtain sawdust from AbitibiBowater, or from any other sawdust supplier in the La Tuque region, on the same or similarly favourable terms as those that have been negotiated in the Wood Fibre Supply Agreement. Sawdust is currently the lowest cost fibre supply for the Mill with price highly sensitive to supply. AbitibiBowater currently provides

approximately 60% of the sawdust to the Mill and generates approximately 40% of the sawdust in the La Tuque region. Any additional sawdust which is not already supplied to the Mill by AbitibiBowater or by the other suppliers of sawdust in the La Tuque region is likely already committed to other users of sawdust (pellet plants, etc.).

69. Accordingly, in the event that the Wood Fibre Supply Agreement is not effected, the Mill will be required to substitute sawdust with some other higher cost fibre (*i.e.*, shavings or wood chips). SSC Canada estimates that substituting sawdust for some other higher cost fibre will increase the Mill's fibre cost by approximately US$9 million per year going forward (or approximately $26 per tonne) (subject to exchange rate movement) and will reduce the Mill's pulping capacity by approximately 50 tonnes per day.

70. In addition, a reduction in the supply of sawdust and/or a substitution of sawdust for some other higher cost fibre will require a significant outlay of capital in order to modify the pulping capacity at the Mill. Currently, the Mill has two digesters dedicated to sawdust pulping. To compensate for the estimated 50 tonne per day pulping deficit which would be caused by a substitution away from sawdust, SSC Canada has determined that the Mill would be required to (i) increase the capacity of softwood chip pulping; and (ii) increase its consumption of double-lined kraft recycled fibre (**"DLK"**). SSC Canada estimates that the softwood pulping capacity will cost approximately US$760,000. It is estimated that the required modifications to increase DLK consumption will cost approximately US$900,000.

71. SSC Canada estimates that the additional operating costs will be significantly in excess of the Proceeds when one includes the impact of incremental financing. It is estimated that the additional operating costs will also be in excess of the Proceeds when incremental financing is excluded. Notably, it is estimated that the additional costs under both cost streams will be significantly greater than the share of the proceeds that are payable to AbitibiBowater pursuant to the Letter Agreement (and the Asset Acquisition Agreement) in respect of the sale of the Optioned Land.

Sealing Order

72. As noted above, in this motion, the Applicants and Partnerships also seek an Order directing that certain parts of the Asset Purchase Agreement, the Wood Fibre Supply

Agreement and the Letter Agreement be sealed and not form part of the public record until further Order of this Honourable Court, as they contain information that is confidential to SSC Canada and/or its employees.

A. Confidential Information in the Asset Purchase Agreement

73. Schedule 1.1(u) of the Asset Purchase Agreement contains a listing of the names, titles, salaries and years of service of the Employees and Schedule 2.7 contains a listing of the Assumed Employees. Personal information of this nature, particularly employee names and salaries, is personal, commercially sensitive and governed by privacy legislation. The Applicants have not requested that the Assumed Employees provide them with waivers (or any other similar form of approval) in order to permit the disclosure of this information and the confidentiality of such information should be maintained, especially since there is no legitimate rationale for anyone to require disclosure of such information in the circumstances.

B. Confidential Information in the Wood Fibre Supply Agreement and Letter Agreement

74. The confidential information contained in the Wood Fibre Supply Agreement and the Letter Agreement relates to (i) the price of sawdust, shavings and wood chips during the first Annual Period and (ii) the volume of wood fibre being purchased by SSC Canada during the term of the contract. The price of wood fibre which has been negotiated by SSC Canada in the Wood Fibre Supply Agreement during the first Annual Period represents a significant benefit to it and, as the cost of wood fibre is one of the key components in a paper mill's cost structure, is extremely commercially sensitive information. Should this information become publicly available, third parties who compete with SSC Canada in the containerboard and packaging market would be at a competitive advantage because they could benchmark the Mill's cost structure against their own cost structure.

75. Furthermore, if SSC Canada's pricing and volume information is made available to other parties who supply wood fibre to the Mill, SSC Canada's ability to bargain with those parties for the supply of wood fibre in the future would be significantly weakened. In all events, revealing SSC Canada's pricing and volume information gives its competitors unfair advantages that would not otherwise be available to them and this would disadvantage the Applicants and Partnerships in their ongoing restructuring initiatives.

Review of Transaction by the Monitor

76. It is my understanding that the Monitor is reviewing the Asset Purchase Agreement and the Wood Fibre Supply Agreement and will be providing its recommendation in a report to follow.

Conclusion

77. I have been leading the sales and negotiation process in respect of the Timberland Assets for the past 14 months. The sale of the Timberland Assets presents SSC Canada with an opportunity to divest itself of assets that are non-core to its business and has provided SSC Canada with the opportunity to enter into the Wood Fibre Supply Agreement. The sales and marketing process undertaken by Scotia Capital has been both fair and comprehensive and has attained the best and highest price for the Timberland Assets in the circumstances.

SWORN BEFORE ME at the City of Montreal, in the Province of Québec, on July 28, 2009. Commissioner for Taking Affidavits MYRIAM SARRAZIN, NOTARY FOR THE PROVINCE OF QUEBEC	Dean R. Jones

SCHEDULE "A"

Smurfit-Stone Container Canada Inc.

3083527 Nova Scotia Company

MBI Limited/Limitée

639647 British Columbia Ltd.

B.C. Shipper Supplies Ltd.

Specialty Containers Inc.

605681 N.B. Inc.

Francobec Company

Stone Container Finance Company of Canada II

SCHEDULE "B"

Smurfit-MBI

SLP Finance General Partnership

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

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

FIFTH REPORT OF THE MONITOR
DATED AUGUST 12, 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, 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 February 24, 2009, this Honourable Court issued a Stay Extension Order which extended the stay 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, and to September 30, 2009, by a Stay Extension Order dated June 25, 2009.

4) On March 12, 2009, this Honourable Court issued an Order approving a cross border insolvency protocol between the U.S. Court (as defined below) and this Honourable Court.

5) On June 25, 2009, this Honourable Court issued a Claims Procedure Order approving a claims procedure in respect of the CCAA Entities.

6) The Initial Order, together with certain other court documents, including the previous reports of the Monitor (the "**Previous Reports**"), Notice to Creditors dated February 3, 2009, and claims process materials are posted on the Monitor's website at www.deloitte.com/ca/smurfitstonecanada (the "**Monitor's Website**"). The Monitor has also established a toll free number at 1-866-859-6954 for creditors and other interested parties to call with any questions or concerns in regards to the CCAA Proceedings.

7) Each of the CCAA Entities also filed for protection in the Chapter 11 Proceedings along with Smurfit-Stone Container Corporation ("**SSCC**") and certain other Smurfit-Stone entities. SSCC, together with its direct and indirect subsidiaries, are referred to herein as the "**Company**" or "**Smurfit-Stone**".

8) The purpose of this fifth report ("**Fifth Report**") is to provide this Honourable Court with an overview of the proposed sale by SSC Canada of certain timberland assets (the "**Timberlands**") in the Province of Québec to Société Générale de Financement du Québec ("**SGF**"), the payment of approximately fifty percent of the net proceeds of such sale to Abitibi Bowater Inc. ("**AbitibiBowater**"), the entering into of a new wood fiber supply agreement with AbitibiBowater entities and the termination of all existing fiber

supply obligations between SSC Canada and AbitibiBowater entities, and to provide the Monitor's recommendation in respect of same.

9) Unless otherwise provided, capitalized terms not defined in this Fifth Report are as defined in the Previous Reports, the Initial Order or the Asset Purchase Agreement (as defined below).

TERMS OF REFERENCE

10) In preparing this Fifth 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 Fifth Report.

11) Certain of the information referred to in this Fifth 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 Fifth 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.

12) Unless otherwise noted, all dollar amounts contained in this Fifth Report are expressed in Canadian dollars.

BACKGROUND

13) 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. SSC Canada

and Smurfit-MBI are the principal Canadian operating companies. 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 and medium from Smurfit-Stone's mills. The CCAA Entities currently employs approximately 2,600 people (both non-unionized and unionized) across Canada. Further background on the CCAA Entities and Smurfit-Stone is contained in the Previous Reports which are available on the Monitor's Website.

14) On January 26, 2009, SSCC and certain of its direct and indirect subsidiaries, including Smurfit-Stone Container Enterprises Inc. (**"SSCE"**) and the CCAA Entities, 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"**). Information concerning the Chapter 11 Proceedings can be found at http://chapter11.epiqsystems.com/smurfit. Further information regarding Smurfit-Stone's restructuring activities can be found on the Company's website at http://www.smurfit.com/content/company/restructuring/. Smurfit-Stone has also established a hotline at 1-877-264-9638 for creditors and other interested parties to call with any questions or concerns in regards to the Company.

OVERVIEW OF THE TIMBERLANDS

15) The Monitor understands that the Timberlands represent the largest reserve of private harvestable land in Québec with a total surface area of approximately 389,383 hectares (962,204 acres), located between the Saguenay-Lac-St-Jean and Mauricie regions of Québec. The Timberlands are comprised of approximately 75% softwood species (principally spruce and jack pine) and 25% hardwood species (principally white birch).

16) SSC Canada acquired the Timberlands in connection with the Company's acquisition of St-Laurent Paperboard Inc. (**"St-Laurent"**) in 2000. Since acquiring the Timberlands, SSC Canada has sold the majority of its harvesting volumes to third parties in exchange

for stumpage fees, maintaining a small reserve for use at SSC Canada's La Tuque mill. SSC Canada presently has harvesting contracts in respect of the Timberlands with AbitibiBowater and the Opiticiwan Sawmill, a limited partnership formed between AbitibiBowater and the Atiakamekw Opiticiwan First Nations.

17) Eleven people are presently employed by SSC Canada in connection with the Timberlands. Silvicultural operations are performed by third-party contractors.

18) Bowater Canadian Forest Products, Inc. (**"BCFPI"**), a subsidiary of AbitibiBowater, presently has a right of first refusal (the **"ROFR"**) in respect of a portion of the Timberlands (the **"Optioned Land"**) that represents approximately 98% of the total area of the Timberlands. The ROFR derives from BCFPI's purchase of Avenor Inc., the previous owner of the Optioned Land who sold it to St-Laurent. The ROFR, which expires in 2093, provides that if SSC Canada desires to sell a portion of the Optioned Land greater than 250 acres to an arms' length third party, it shall first offer such Optioned Land to BCFPI who shall have the option to purchase it for the lesser of: (i) $25 per acre; and (ii) the price negotiated with such third party. If BCFPI rejects such offer, upon consummation of a sale of such Optioned Land to a third party, BCFPI is entitled to receive an amount equal to the excess, if any, of the per acre purchase price paid by such third party over the sum of: (i) $25 per acre; and (ii) all expenses incurred by SSC Canada in connection with the sale.

19) AbitibiBowater and certain of its subsidiaries, including BCFPI, filed voluntary petitions under Chapter 11 of the Bankruptcy Code on April 16, 2009, and sought and obtained protection under the CCAA on April 17, 2009.

20) SSC Canada is permitted to sell the Timberlands under the terms of the DIP Facility.

SALES PROCESS AND LETTER AGREEMENT WITH ABITIBIBOWATER

21) The Monitor understands that the Company began to consider its strategic options with respect to the Timberlands in early 2008 and engaged Scotia Capital in August 2008 to canvass the market in respect of same.

22) Shortly thereafter, the Company engaged in negotiations with AbitibiBowater regarding BCFPI's ROFR in respect of the Optioned Land. These negotiations ultimately culminated in SSCE and BCFPI entering into a Letter Agreement dated September 30, 2008 (the "**Letter Agreement**"), a redacted copy of which is attached as an exhibit to the Affidavit of Dean Jones sworn July 28, 2009 (the "**Jones Affidavit**"). The Letter Agreement provides, amongst other things, that:

(a) BCFPI would waive its ROFR in respect of the Optioned Land for a period of two years from the date of the Letter Agreement;

(b) that SSCE/SSC Canada would promptly commence the process of marketing and selling the Optioned Land in good faith using its best commercial efforts; and

(c) in the event a sale of the Optioned Land within the two year period, SSCE/SSC Canada shall pay to BCFPI an amount equal to fifty percent of the net proceeds received from the sale of the Optioned Land after deducting from the purchase price all expenses and costs incurred in connection with the sale of the Optioned Land, provided that in the event that the net proceeds from the sale of the Optioned Land are less than $50 per acre, SSCE/SSC Canada shall pay to BCFPI only that portion of the net proceeds that exceeds $25 per acre.

23) The recitals to the Letter Agreement expressly contemplate the entering into of a wood fiber supply agreement between SSC Canada and BCFPI for wood fiber supply by BCFPI to SSC Canada's LaTuque mill. A term sheet in respect of same forms an integral part and essential condition of the Letter Agreement. The wood fiber supply agreement is discussed in greater detail below.

24) The Affidavit of Eric Michaud (a representative of Scotia Capital) sworn July 28, 2009 (the "**Scotia Affidavit**") contains a detailed description of the marketing and sales efforts undertaken by the Company and Scotia Capital in late 2008 and early 2009. The Monitor was not involved in this process as it occurred prior to the commencement of these CCAA Proceedings; however, the Monitor has reviewed certain of the materials produced by Scotia Capital, including the "teaser" document and the Confidential Information Memorandum (as defined in the Scotia Affidavit), and has had discussions

with representatives of the Company and Scotia Capital regarding the sales process. The Monitor understands that:

(a) Scotia Capital contacted 57 potential purchasers (34 strategic, 17 financial and 6 local);

(b) the Company did not issues a press release or otherwise publically announce the Timberlands opportunity based on a host of factors, including the advice of Scotia Capital which, in turn, was based on Scotia Capital's recent experience with other timberland transactions in Québec and the rest of Canada;

(c) the Company entered into non-disclosure agreements (**"NDAs"**) with thirteen potential purchasers;

(d) a confidential electronic data room was established by the Company and the thirteen potential purchasers that executed NDAs were given access;

(e) three potential purchasers submitted non-binding bids on or about November 4, 2008;

(f) based on its review of these bids, the Company and Scotia Capital gave management presentations to two of the bidders and commenced further negotiations with them. The third potential bidder indicated it was no longer interested in the Timberlands when it was asked to increase its bid; and

(g) neither remaining bidder submitted a binding bid by the proposed deadline of December 16, 2008, and only SGF submitted a non-binding bid on January 21, 2009.

25) Following several months of further negotiations between the Company and SGF, SSC Canada and SGF ultimately entered into the Asset Purchase Agreement in respect of the Timberlands.

THE ASSET PURCHASE AGREEMENT AND RELATED AGREEMENTS

26) SSC Canada and SGF entered into an asset purchase agreement dated April 30, 2009 (the "**Asset Purchase Agreement**"), in respect of the Timberlands. The rights and obligations of SGF under the Asset Purchase Agreement were assigned to Gestion Forestière du Saint-Maurice Inc. ("**GFSM**"), an affiliate of SGF, pursuant to the terms of the Asset Purchase Agreement on July 27, 2009. Pursuant to the terms of the Asset Purchase Agreement, SGF remains expressly and solidarily liable with GSFM for its obligations under the Asset Purchase Agreement. A summary of the key provisions of the Asset Purchase Agreement is provided in the paragraphs that follow. Reference should be made directly to the Asset Purchase Agreement, a redacted copy of which is attached as an exhibit to the Jones Affidavit, for a complete understanding of the terms governing the Transaction contemplated by the Asset Purchase Agreement. Terms not otherwise defined in this section of this Fifth Report are as defined in the Asset Purchase Agreement.

(a) Purchased Assets: The Purchased Assets are the undertaking, business and assets relating to the Business (being the ownership and management of private timberlands and related operations as presently conducted by SSC Canada) including the Real Property (i.e. the Timberlands), but excluding, among other things, all Accounts Receivable, insurance policies associated with the Business, Tax refunds and credits receivable, all cash on hand and deposits, and all inter-company accounts receivable.

(b) Purchase Price: The consideration payable by GSFM in respect of the Transaction is $60,400,000 (approximately $62.77 per acre), adjusted for all items normally adjusted between a vendor and purchaser in respect of the sale of real property.

(c) Assumed Liabilities: GSFM shall assume all liabilities which will accrue after the Time of Closing under the Contracts, Licenses and Real Property Leases.

(d) Excluded Liabilities: GSFM shall not assume any liabilities of SSC Canada other than the Assumed Liabilities, including all liabilities of SSC Canada in respect of the Wood Chip Contracts, the Supply Contracts (being two agreements for the supply of wood fiber between SSC Canada and each of Abitibi-Consolidated Inc. and BCFPI) and the Employee Claims.

(e) Employees: GSFM shall employ eight Employees whose employment shall be on substantially similar terms and conditions enjoyed by the Employees immediately prior to the Closing Date, provided that GSFM shall not be required to set up a defined benefit plan for such Employees. The Monitor understands that all Employees are presently members of a defined contribution pension plan. SSC Canada agrees to indemnify GSFM in respect of all salary, wages, bonuses, benefits, vacation pay, severance, indemnity in lieu of notice of termination, retirement and pension benefits and all other amounts which may be payable to Excluded Employees.

(f) Taxes: GSFM shall pay all land transfer Taxes, Sales Taxes, registration fees, license fees or other charges payable in connection with the Transaction.

(g) Assignment: In respect of any Contract, Real Property Lease, Third Party Lease, License or other Purchased Assets (collectively, the **"Right(s)"**) requiring a consent for which such consent has not been obtained, then, upon the written request and under the direction and at the expense of GSFM, SSC Canada shall take all such reasonable actions which are necessary such that the obligations of SSC Canada in connection with such Right may be performed by GSFM as agent of SSC Canada. The Purchaser shall be entirely responsible for the timely performance of the obligation associated with any such Rights.

(h) Representations and Warranties: SSC Canada makes certain representations and warranties in favour of GSFM, including representations and warranties in respect of title to the Purchased Assets, Native Claims and environmental matters. All representations and warranties of SSC Canada shall survive closing of the Transaction and continue for the benefit of GSFM for a period of eighteen months, except for the representations and warranties in respect of environmental matters which shall survive for 36 months, and any representation or warranty which a claim based on fraud is made, which shall be of unlimited duration.

(i) GSFM Closing Conditions: The obligation of GSFM to complete the Transaction is subject to fulfilment of each of the following conditions:

i) Orders of each of this Honourable Court and U.S. Bankruptcy Court for the District of Delaware (collectively, the **"Court Order"**) in form and content satisfactory to GSFM, acting reasonably, shall have been granted approving and authorizing the Transaction and vesting the Purchased Assets in GSFM free and clear of all claims, liabilities, obligations, rights of first refusal or other pre-emptive rights in favour of third parties, or Liens, and such Orders shall be a Final Judgment;

ii) all representations and warranties of SSC Canada shall be true and accurate in all material respects as if made as of the Time of Closing;

iii) a hypothec in favour of National Bank Trust Inc. in respect of the Real Property shall be discharged by registration of the Final Judgement and all other Liens that are not Permitted Encumbrances shall have been fully discharged as against the Purchased Assets, as evidenced by entry of the Final Judgment;

iv) all of the terms, covenants and conditions of this Agreement to be complied with or performed by SSC Canada shall have been complied with or performed in all material respects;

v) no Material Adverse Effect shall have occurred, which term shall not include any effect arising out of the filing or implementation by AbitibiBowater or any affiliate thereof of an assignment, proposal or arrangement under the *Bankruptcy and Insolvency Act* (Canada), the CCAA or any other applicable bankruptcy law;

vi) the Title Insurance Policy shall have been issued to GSFM;

vii) the Transitional Services Agreement and the Lease (each discussed in greater detail below) shall have been duly executed by SSC Canada;

viii) the Supply Contracts shall have been terminated; and

ix) the Closing Date shall have occurred by no later than 120 days from the date of the Asset Purchase Agreement. This "outside date" was extended to September 15, 2009, by an Amending Agreement amongst SSC Canada, SGF and GSFM dated August 11, 2009.

(j) Expense Reimbursement: If the Court Order and Final Judgment closing condition shall not have been satisfied, SSC Canada shall pay to GSFM forthwith upon demand the reasonable fees paid by GSFM to external professionals or consultants, to a maximum amount of $150,000.

(k) Indemnification by SSC Canada: SSC Canada shall indemnify and hold GSFM harmless from and against any claims relating to any breach of any covenant of SSC Canada under the Asset Purchase Agreement, any breach of a representation or warranty made by SSC Canada pursuant to the Asset Purchase Agreement, or the Excluded Liabilities. Such right of indemnification shall survive for the same period of time as the representations and warranties of SSC Canada. SSC Canada shall not be required to pay any amount in respect of such indemnity until the aggregate amount of all Losses exceeds $500,000 in which case the obligation of indemnification shall apply to the full amount of the Losses. The indemnity obligations of SSC Canada are capped at $9,000,000 under the Asset Purchase Agreement and shall be the sole remedy of GSFM against SSC Canada with respect to the matters referred to in the Asset Purchase Agreement, subject to the right of GSFM to seek specific performance or any other extraordinary remedy. Under the terms of an Indemnity Agreement dated July 22, 2009 (the "**Indemnity Agreement**"), amongst SSC Canada, AbitibiBowater, Abitibi-Consolidated Inc. and BCFPI, the parties agreed to apportion the liability for the above indemnity such that the AbitibiBowater parties would be liable for fifty percent of the costs and obligations of SSC Canada incurred in connection with such indemnity. At the request of AbitibiBowater, the Indemnity Agreement is to be amended, restated and replaced by an Amended and Restated Indemnity Agreement expected to be executed on or about August 12, 2009, between SSC Canada and

BCFPI that is substantially the same as the Indemnity Agreement save that it removes each of AbitibiBowater and Abitibi-Consolidated Inc. as parties.

27) In connection with the Transaction, SSC Canada and GSFM will also enter into the Transitional Services Agreement pursuant to which SSC Canada will provide certain services to GSFM for a period of 90 days following closing at a price to be determined. SSC Canada will also lease certain office space to GSFM for a term beginning at the Time of Closing and ending on December 31, 2009.

28) It is a condition of closing of the Asset Purchase Agreement in favour of SSC Canada that the Supply Contracts be terminated. To that end, each of SSC Canada, AbitibiBowater, Abitibi-Consolidated Inc. and BCFPI entered into a Termination Agreement dated July 22, 2009 (the "**Termination Agreement**"), pursuant to which the parties thereto agreed to terminate the Supply Contracts. At the request of AbitibiBowater, the Termination Agreement is to be amended, restated and replaced by an Amended and Restated Termination Agreement to be executed on or about August 12, 2009 (the "**Amended and Restated Termination Agreement**"). The Amended and Restated Termination Agreement is substantially the same as the Termination Agreement save that it removes AbitibiBowater as a party in light of the fact that AbitibiBowater was not a party to any of the Supply Contracts.

29) Although not expressly called for under the Asset Purchase Agreement, AbitibiBowater, for itself and its subsidiaries, agreed to fully, finally and irrevocably waive any rights in the Optioned Land, including the ROFR, and release SSC Canada from any and all claims in connection with the Asset Purchase Agreement, any rights, title and interest in and to the Optioned Land, and under the St-Laurent/Avenor Inc. agreement pursuant to a Waiver and Release between SSC Canada and AbitibiBowater dated July 22, 2009 (the "**Waiver and Release**"). Similar to the Termination Agreement, AbitibiBowater requested that the Waiver and Release be amended, restated and replaced to effectively replace AbitibiBowater with BCFPI in light of the fact that BCFPI is the direct successor to Avenor Inc.'s rights, including the ROFR. Accordingly, it is expected that on or about August 12, 2009, SSC Canada and BCFPI will enter into an Amended and Restated Waiver and Release.

30) The Monitor has been advised by counsel to the Applicants that, in addition to the parties on the service list in these CCAA Proceedings, the Applicants' Motion Record has been provided to each of the secured parties with registrations under the personal property security acts in either Québec or Nova Scotia, or registrations against the Real Property in Québec (all as listed on Schedule 3.1(g) of the Asset Purchase Agreement).

WOOD FIBER SUPPLY AGREEMENT

31) As provided for by the Letter Agreement, SSCE, SSC Canada and AbitibiBowater entered into a Wood Fiber Supply Agreement dated July 22, 2009 (the "**WFSA**"). Pursuant to the WFSA, AbitibiBowater has agreed to supply a certain quantity of jack pine wood chips, softwood shavings and softwood sawdust (collectively, "**Fiber**") to SSC Canada at the LaTuque mill. The WFSA provides SSC Canada with a steady supply of Fiber. The WFSA contains pricing terms for Fiber that the Monitor understands are below market rates. These below market rates are effective for the period beginning October 1, 2008 (the "**Effective Date**"), and ending September 30, 2009. Thereafter, the pricing for the Fiber will be adjusted annually to reflect market prices as negotiated between the parties, with resort to an arbitrator if agreement on market prices cannot be reached. Either party may terminate the WFSA upon two years written notice in the event it is not satisfied with the pricing terms imposed by such arbitrator. The term of the WFSA is the seven year period following the Effective Date. The WFSA also provides for the termination of four Fiber supply agreements (the "**Wood Chip Contracts**") presently in place between SSC Canada and AbitibiBowater entities.

32) Company management has advised the Monitor that the Fiber pricing concessions in the WFSA are expected to provide (and have provided) significant cost savings relative to the Wood Chip Contracts for the period from the Effective Date to September 30, 2009.

33) At the request of AbitibiBowater, the WFSA will be amended, restated and replaced by an Amended and Restated Wood Fibre Supply Agreement amongst BCFPI, Abitibi-Consolidated Inc., SSCE and SSC Canada expected to be executed on or about August 12, 2009 (the "**Amended and Restated WFSA**"). The Amended and Restated WFSA is substantially the same as the WFSA save that it changes the AbitibiBowater entities that

are parties to the agreement, provides for Fiber payments by SSC Canada to be made on a weekly basis while these Proceedings continue, and provides that the Amended and Restated WFSA is subject to the entry of Court orders in AbitibiBowater's insolvency proceedings (in both Canada and the U.S.) and by both this Honourable Court and the U.S. Court in these Proceedings.

34) The Monitor has been advised that BCFPI and Abitibi-Consolidated Inc. will seek a declaration from the U.S. Court in their Chapter 11 proceedings confirming their capacity to enter into the Amended and Restated WFSA on or about September 2, 2009. The Monitor has also been advised that BCFPI and Abitibi-Consolidated Inc. will seek approval of the Amended and Restated WFSA in their CCAA proceedings on or about August 26, 2009.

PROCEEDS OF THE TRANSACTION

35) In light of the approximate per acre price of $62.77, SSC Canada is obligated to pay BCFPI an amount equal to fifty percent of the net proceeds received from the sale of the Optioned Land after deducting from the purchase price all expenses and costs incurred in connection with the sale of the Optioned Land pursuant to the Letter Agreement. The Monitor understands that this will result in a payment of approximately $28 million by SSC Canada to BCFPI upon closing of the Transaction.

36) The balance of the net Purchase Price (being approximately $29 million) will be applied to SSC Canada's outstanding obligations under the DIP Facility (presently approximately USD $35 million).

SEALING

37) The Monitor understands that the Applicants are requesting that unredacted copies of the Asset Purchase Agreement, the Letter Agreement, the WFSA and the Amended and Restated WFSA be sealed. The Monitor has reviewed the redacted portions of the above-noted agreements and notes that they detail either: (i) sensitive competitive economic terms; or (ii) personal information about employees of SSC Canada. In light of this, the

Monitor supports the Applicants' request that the unredacted copies of these agreements be sealed.

MONITOR'S RECOMMENDATIONS

38) As previously reported to this Honourable Court, since the commencement of these CCAA Proceedings SSC Canada has been working towards divesting itself of certain of its non-core assets. The sale of the Timberlands represents the first material divestiture.

39) The Monitor has also conducted an independent review of the Asset Purchase Agreement and related documentation. The Monitor is advised that the terms of the Asset Purchase Agreement were heavily negotiated between the Company and SGF and, in the view of Company management, are reasonable in the circumstances.

40) The Monitor is also advised by Scotia Capital that a further marketing process in respect of the Timberlands would not likely result in any other offers being received and that the SGF transaction, in light of deteriorating market conditions, represents the best transaction available to SSC Canada in the near to medium term.

41) The Monitor has also reviewed the Letter Agreement and the other documentation in place between the Company and the AbitibiBowater entities, including the Amended and Restated WFSA which, as noted above, forms an integral part of the Letter Agreement.

42) The Monitor is of the view that the payment by SSC Canada to BCFPI contemplated by the Letter Agreement is reasonable in the circumstances in light of the ROFR. The Monitor is also of the view that using the net balance of the Purchase Price to pay down the DIP Facility is a prudent use of such funds by SSC Canada.

43) In light of the foregoing, the Monitor supports SSC Canada's motion seeking an Order approving the Asset Purchase Agreement and vesting the Purchased Assets in GSFM, approving the Amended and Restated WFSA, and directing that SSC Canada pay fifty percent of the net proceeds of the Transaction to BCFPI.

44) For the reasons described above at paragraph 37, the Monitor supports the Applicants' request that unredacted copies of the Asset Purchase Agreement, the Letter Agreement, the WFSA and the Amended and Restated WFSA be sealed by this Honourable Court.

All of which is respectfully submitted at Toronto, Ontario this 12th day of August, 2009.

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

Per: P. Casey

Paul M. Casey, CA CIRP
Senior Vice-President

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

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

FIFTH REPORT OF THE MONITOR
DATED AUGUST 12, 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.