

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

SMURFIT-STONE CONTAINER
CORPORATION, et al.,¹

Debtors.

Chapter 11

Case No. 09-10235 (BLS)

Jointly Administered

Ref. Docket No. 555

**AGREED ORDER AUTHORIZING, BUT NOT DIRECTING,
THE DEBTORS TO IMPLEMENT THEIR SHORT-TERM AND LONG-TERM
INCENTIVE COMPENSATION PLANS**

Upon the Motion² of the above-captioned Debtors for an order, pursuant to sections 363(b), 363(c)(1), and 503(c)(3) of Title 11 of the United States Code (the "Bankruptcy Code"), authorizing and approving, but not directing, the Debtors to continue their performance-based short-term and long-term incentive plans beginning in 2009 as refined in accordance with the Motion and Exhibit A thereto and set forth herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors and other parties in interest; and the Court finding that (a) it has jurisdiction over the matters raised in the Motion pursuant to 28 U.S.C. §§ 157 and 1334, (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and (c) proper notice of the Motion and the hearing thereon has been given and that no

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Smurfit-Stone Container Corporation (1401), Smurfit-Stone Container Enterprises, Inc. (1256), Calpine Corrugated, LLC (0470), Cameo Container Corporation (5701), Lot 24D Redevelopment Corporation (6747), Atlanta & Saint Andrews Bay Railway Company (0093), Stone International Services Corporation (9630), Stone Global, Inc. (0806), Stone Connecticut Paperboard Properties, Inc. (8038), Smurfit-Stone Puerto Rico, Inc. (5984), Smurfit Newsprint Corporation (1650), SLP Finance I, Inc. (8169), SLP Finance II, Inc. (3935), SMBI Inc. (2567), Smurfit-Stone Container Canada Inc. (3988), Stone Container Finance Company of Canada II (1587), 3083527 Nova Scotia Company (8836), MBI Limited/Limitée (6565), Smurfit-MBI (1869), 639647 British Columbia Ltd. (7733), B.C. Shipper Supplies Ltd. (7418), Specialty Containers Inc. (6564), SLP Finance General Partnership (9525), Francobec Company (7735), and 605681 N.B. Inc. (1898). The Debtors' corporate headquarters are located at, and the mailing address for each Debtor is, 150 North Michigan Avenue, Chicago, Illinois 60601.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

other or further notice is necessary; and the Court finding that the relief requested in the Motion and agreed upon herein is in the best interests of the Debtors and their estates; and after due deliberation, and good and sufficient cause appearing therefor, it is hereby ORDERED

1. The relief sought in the Motion is granted in its entirety except to the extent modified herein;

2. The Debtors are authorized, but not directed, to implement the MIP for 2009 (the "2009 MIP") as set forth in the Motion and Exhibit A thereto, except as expressly modified below:

(a) Calendar Year Performance Period. The performance period for the 2009 MIP shall be January 1, 2009 through December 31, 2009.

(b) Incentive Structure & Timing of Payments. Except with respect to Tier IV B MIP Participants (as defined below), the 2009 MIP Incentive Bonuses will be based on the measurement of the DCA Adjusted EBITDAR for Tier I and DCA Adjusted EBITDAR and/or divisional EBIDTA for Tier II, Tier III and Tier IV (other than Tier IV B MIP Participants), in each case for two semi-annual Performance Targets and an annual Performance Target, as follows:

Performance Targets Evaluation Date	Timing of Bonus Payments	Percentage Payout of Target Bonus
June 30, 2009 (based on semi-annual performance)	After June 30, 2009, following consultation with the Committee	40% of Annual Target Bonus (based on semi-annual performance - January 1 thru June 30)
December 31, 2009 (based on semi-annual performance)	After December 31, 2009, following consultation with the Committee	30% of Annual Target Bonus (based on semi-annual performance - July 1 thru December 31)
December 31, 2009 (based on annual performance)	After December 31, 2009, following consultation with the Committee	30% of Annual Target Bonus (based on annual performance)

- (c) Tier IV MIP Participants. Certain Tier IV MIP Participants whose Performance Targets are based on quarterly key performance indicators by plant or area (collectively, the "Tier IV B MIP Participants") shall earn Incentive Bonuses on a quarterly basis, and such Incentive Bonuses shall be payable on a quarterly basis after consultation with the Committee.
- (d) DCA Adjusted EBITDAR. The Performance Targets for the 2009 MIP shall be based on the Debtors' achievement of DCA Adjusted EBITDAR, which is based on the "Consolidated EBITDA" (as defined in the DIP Credit Agreement) budget approved in connection with the Debtors' DIP Credit Agreement, adjusted to reflect the agreement between the Debtors and the Committee;
- (e) Amount of MIP. The aggregate potential payments under the 2009 MIP at target level achievement of Performance Targets shall not exceed the aggregate potential payments under the 2008 short term bonus plan upon the target level achievement of the 2008 performance target.
- (f) Threshold. The bottom threshold of the Debtors' "payout curve" for the 2009 MIP shall require a "threshold" performance at 85% of the applicable Performance Target. If the Debtors do not achieve 85% of its Performance Target, no Incentive Bonuses will be earned for the relevant period.
- (g) No Default under DIP. If a material Event of Default (as defined in Section 7.1 of the DIP Credit Agreement) has occurred and is continuing at the time an Incentive Bonuses would otherwise be payable, the Debtors shall not pay any Incentive Bonuses unless and until such Event of Default is cured.
- (h) Committee Review. The Committee shall receive the calculation of the actual DCA Adjusted EBITDAR no less than five (5) business days in advance of any payments under the 2009 MIP.

3. The Debtors are authorized, but not directed, to develop and implement, in consultation with the Committee, a MIP for 2010 (the "2010 MIP") on the same terms as the 2009 MIP, provided that for purposes of the 2010 MIP, the Company's budgeted EBITDAR for calendar year 2010 ("2010 Budgeted EBITDAR") (which shall be calculated in a manner substantially consistent with the Company's 2009 DCA Adjusted EBITDAR and in consultation with the Committee) shall be the Performance Target measure;

4. The Debtors are authorized, but not directed, to implement the LTIP as set forth in the Motion and Exhibit A thereto, except as expressly modified below:

- (a) the LTIP Performance Target shall have two components: (i) performance relative to the Debtors' budgeted EBITDAR for calendar year 2010 ("2010 Budgeted EBITDAR") and (ii) achievement of restructuring goals that will be substantially comprised of total enterprise value or a substantially similar financial metric; provided that the Debtors shall consult with the Committee prior to finalizing such 2010 Budgeted EBITDAR and restructuring goals;
- (b) fifty percent (50%) of each LTIP Participant's Incentive Bonus Target (and any earned payout with respect thereto) shall be based solely on the Debtors' performance relative to the 2010 Budgeted EBITDAR as defined in Section 3 of this Agreed Order, and the remaining 50% of each LTIP Participant's Incentive Bonus Target (and any earned payout with respect thereto) shall be based solely on the Debtors' achievement of the restructuring goals;
- (c) the aggregate amount of the Incentive Bonus award potential at the target level under the LTIP shall be no less than \$14.6 million and not exceed \$15.9 million, with the Debtors retaining the discretion to determine the aggregate amount within this range and to allocate the difference between the minimum and maximum amount of such aggregate target-level amount among LTIP Participants, so long as no individual LTIP Participant receives more than 20% of such difference;
- (d) solely for the purposes of determining the amount of the earned LTIP Incentive Bonus based on the Debtors' performance relative to the 2010 Budgeted EBITDAR, the bottom of the Debtors' "payout curve" shall require a "threshold" performance at 85% of the applicable 2010 Budgeted EBITDAR Performance Target, and the two-year plan cycle shall be January 1, 2009 through December 31, 2010;
- (e) earned LTIP Incentive Bonuses based on the Debtors' performance relative to the 2010 Budgeted EBITDAR will be paid at the end of the two-year plan cycle, and earned LTIP Incentive Bonuses based on the Debtors' achievement of the restructuring goals will be paid upon achievement of such goals (without regard to any two-year plan cycle set forth in the Motion or in this Agreed Order); provided, however, if the Court confirms a plan of reorganization for the Debtors prior to December 31, 2010, on the effective date of the plan of reorganization the Debtors will pay each LTIP Participant the pro-rata amount of the LTIP Incentive Bonus based on achievement of the 2010 Budgeted EBITDAR and any restructuring goal, if applicable, as of the confirmation date; and
- (f) consistent with paragraph 5 of this Order, the Committee shall receive the calculation of (i) the Debtors' performance relative to its 2010 Budgeted EBITDAR and (ii) the achievement of the restructuring goals, no less than twenty (20) days in advance of any payments to be made under the LTIP.

5. The Debtors are authorized, but not directed, to pay any incentive bonuses earned under the 2009 MIP as administrative expenses pursuant to section 503(b) of the Bankruptcy Code, and the Court finds that such bonuses comply with section 503(c)(3) of the Bankruptcy Code, and the Court further finds that section 503(c)(1) does not apply to such bonuses;

6. With respect to the 2010 MIP, the Debtors shall disclose the 2010 Budgeted EBITDAR Performance Target to the Notice Parties (defined below), subject to confidentiality provisions, if appropriate, not less than 20 days prior to the implementation of the 2010 MIP and the Debtors shall be authorized, but not directed, to pay incentive bonuses under the 2010 MIP pursuant to section 503(b) of the Bankruptcy Code, unless any Notice Party files an objection to the 2010 MIP within 15 days of the disclosure; provided, that any objection shall be limited to whether the 2010 Budgeted EBITDAR Performance Target is insufficient to cause such bonuses to qualify as "incentive" payments and thus prohibited under section 503(c);

7. With respect to the LTIP, the Debtors shall disclose the LTIP Performance Targets to the Notice Parties not less than 20 days prior to the implementation of the LTIP and the Debtors shall be authorized, but not directed, to pay incentive bonuses under the LTIP pursuant to section 503(b) of the Bankruptcy Code, unless any Notice Party files an objection to the LTIP within 15 days of the disclosure; provided, that any objection shall be limited to whether the LTIP Performance Targets are insufficient to cause such bonuses to qualify as "incentive" payments and thus prohibited under section 503(c);

8. If any Notice Party files an objection in accordance with the provisions of this Order to the 2010 MIP or LTIP, the Debtors may move the Court to approve the 2010 MIP or LTIP if they cannot consensually resolve such objection; provided, however, that any such

motion by the Debtors need only address the substance of any objection filed by a Notice Party in accordance with the provisions of this Order.

9. No provision of this order constitutes a finding as to what disclosure may or may not be required of the final terms of the LTIP, 2009 MIP or 2010 MIP in conjunction with a plan of reorganization.

10. "Notice Parties" shall mean, collectively, the agent for the lenders under the DIP Credit Agreement, the agent for the lenders under the Debtors' prepetition credit agreement, the United States Trustee, the Committee and the United Steelworkers Union.

11. The Debtors may amend, modify or discontinue the 2009 MIP, 2010 MIP, and LTIP, after consultation with the Committee, without further Court approval provided that any amendments or modifications thereto are not material in nature;

12. The approval of the 2009 MIP and the LTIP shall not be binding on the Committee as to whether by means of collateral estoppel, res judicata or otherwise in connection with any other further proceedings during the pendency of these chapter 11 cases;

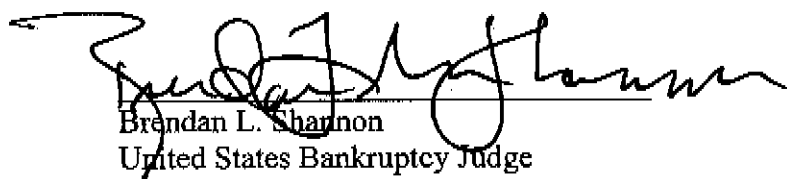
13. Nothing contained in this Order shall constitute an admission or waiver by the Committee or a finding by this Court as to (i) whether the 2009 MIP, the 2010 MIP or the LTIP are ordinary course transactions and (ii) whether the appropriate legal standard for approval of such programs is the business judgments of the board of directors of the Debtors. The Committee reserves all of its rights with regard to future incentive bonus plans unless otherwise specifically provided herein;

14. The Debtors are hereby authorized to take all actions necessary or appropriate to effectuate the relief granted pursuant to this Order in accordance with the terms of the Motion;

15. The terms and conditions of this Order shall be immediately effective and enforceable upon entry of this Order; and

16. This Court will retain jurisdiction regarding the interpretation, implementation or all matters related to this Order.

Dated: Wilmington, Delaware
April 22, 2009



Brendan L. Shannon
United States Bankruptcy Judge