



Bankruptcy Update

For USW Members at Smurfit-Stone

Update Number 1

USW Gains Seat on Official Committee of Unsecured Creditors

Our union has gained a seat on the Official Committee of Unsecured Creditors in the Smurfit-Stone bankruptcy case. This seat will allow us to have access to important information as the case develops, and will also give us a seat at the table when important decisions are made.

Unsecured creditors are parties who are owed money by the company but who do not have liens (the right to foreclose) on the company's property and assets. Employees and retirees, represented by the union, are owed money for such things as

retiree health care, pensions, upcoming vacation, and outstanding grievances. Working closely with Local Union Officers and the International Staff, estimates of these amounts were collected and, based on the results, our union was appointed to the committee.

In the Smurfit-Stone case, the Creditors' Committee consists of the Union, the Pension Benefit Guaranty Corporation (which insures the defined benefit pension plans), two suppliers, and three unsecured bondholders. Our union's bankruptcy lawyer will represent us on the committee, and we will report on important developments as they occur.

Q & A

Why is it important to be represented on the Unsecured Creditors Committee?

In a bankruptcy case, major decisions of the court are subject to hearings at which the interested parties can participate. Among these parties is the Unsecured Creditors Committee. The Committee appears in court and negotiates with the company over key decisions. As a member of the committee, the union has the ability to have a say as its positions are developed. The USW has served on dozens of creditors' committees throughout the U.S. As a major force in the case, the union can also appear in court on our own, making sure that union members' interests are represented even when we disagree with the other creditors.

What about our contracts? Can the company change them without our agreement?

No. The bankruptcy law protects our contracts from unilateral change by the company. If the company wants to change our contracts, they must negotiate with the union. If no agreement is reached they may file a motion with the court, which must then rule up or down - the contract stays in effect as is or is completely terminated.

While it is too early to predict what will happen, if the company files we will work with the local union leadership to implement a strategy to respond.

You may receive a notice that the bankruptcy case has been filed. You do NOT have to respond. The union will handle most issues on your behalf. When deadlines are announced for responses, we will notify you of any individual response that may be required.

Smurfit-Stone Bankruptcy: Background

Smurfit-Stone has obtained preliminary court approval for continued financing that will allow it to operate the business. The court will consider final approval later in February. The company has secured this financing, so that operations will continue.

The company has also obtained court approval to continue making routine payments such as payroll, insurance claims, vacation pay and other employee obligations.

A complicated bankruptcy case often takes a long time to development. The Union will be a key participants throughout the case and we will keep you informed of important events every step of the way.