CANADA PROVINCE OF QUÉBEC DISTRICT OF MONTRÉAL No. :	SUPERIOR COURT Commercial Division (Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. C-36, as amended)

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC., a legal person incorporated under the laws of the State of Delaware, having its principal executive offices at 1155 Metcalfe Street, in the city and district of Montréal, Province of Québec, H3B 5H2;

And

ABITIBI-CONSOLIDATED INC., a legal person incorporated under the laws of Canada, having its principal executive offices at 1155 Metcalfe Street, in the city and district of Montréal, Province of Québec, H3B 5H2;

And

BOWATER CANADIAN HOLDINGS INC., a legal person incorporated under the laws of the Province of Nova Scotia, having its principal executive offices at 1155 Metcalfe Street, in the city and district of Montréal, Province of Québec, H3B 5H2;

And

the other Petitioners listed on Schedules "A", "B" and "C"

Petitioners

And

ERNST & YOUNG INC., a legal person under the laws of Canada, having a place of business at 800 René-Lévesque, Suite 2000, in the city and district of Montréal, Province of Québec, H3B 1X9;

Monitor

PETITION FOR THE ISSUANCE OF AN INITIAL ORDER
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act* ("CCAA"), sections 191 and ss. of the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 ("CBCA")

and

PETITION FOR THE ISSUANCE OF A RECOGNITION ORDER
(Section 18.6 of the CCAA)

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, THE PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:

1. INTRODUCTION

1. Abitibi-Consolidated Inc. ("**ACI**" or "**Abitibi**"), the Petitioners listed on Schedule "A" hereto (collectively with ACI, the "**Abitibi Petitioners**"), Bowater Canadian Holdings Incorporated ("**BCHI**") and the Petitioners listed on Schedule "B" hereto (collectively with BCHI, the "**Bowater Petitioners**") seek protection under the CCAA to facilitate the reorganization of their capital structure.

2. The Abitibi Petitioners and the Bowater Petitioners are all subsidiaries of Petitioner AbitibiBowater Inc. ("**ABH**", collectively with its subsidiaries the "**ABH Group**"), a Delaware corporation formed as a result of a merger of equals between Abitibi and Bowater Incorporated ("**BI**") completed in October 2007.

3. ABH and the Petitioners listed on Schedule "C" hereto (collectively with ABH, the "**18.6 Petitioners**") are Petitioners in these proceedings for the purpose of seeking the issuance of orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11 of Title 11 of the United States Code (the "**U.S. Bankruptcy Code**").

4. While the partnerships listed in Schedule "D" hereto (the "**Partnerships**") are not petitioners in these proceedings, the Abitibi Petitioners, the Bowater Petitioners and the 18.6 Petitioners (collectively the "**Petitioners**") seek to have the stay of proceedings extended to the Partnerships as they form an integral part of the business of the Petitioners.

5. A chart illustrating the basic corporate structure of the ABH Group is communicated as **Exhibit R-1**.

6. The ABH Group owns interests in or operates 34 pulp and paper mills, 32 sawmills, 6 wood product facilities and 32 recycling facilities in North America and abroad, with annual revenues of about US$6.771 billion.

7. Prior to the filing of these proceedings, on February 9, 2009, ABH commenced private offers to exchange US$1.8 billion of outstanding series of unsecured notes of BI (or a subsidiary thereof) for new notes. Concurrently, ABH solicited consents to amend the indentures governing these notes and BI offered eligible noteholders to

participate in an offering of new secured notes. These transactions, which would have resulted in a substantial de-leveraging and recapitalization of BI, Bowater Newsprint South LLC ("**BNSLLC**") and their respective subsidiaries (collectively the "**BI Group**"), were not completed as an insufficient number of notes were tendered and expired on April 1, 2009. ABH has since then evaluated other restructuring alternatives and held discussions with BI Group debtholders and other stakeholders to restructure the BI Group's debt.

8. On March 13, 2009, this Court granted an interim order under sections 192 and 248 of the *Canada Business Corporations Act* (the "**CBCA**") in favor of ACI and certain affiliated applicants in connection with a proposed plan of arrangement which, if approved, would have resulted in a reduction of net debt by almost US$2.4 billion in favor of ACI and its subsidiaries (the "**ACI Group**"). While the implementation of the arrangement as originally proposed was conditioned upon the successful completion of BI's exchange offers described above, in the interest of the ACI Group and its stakeholders, ABH and the ACI Group decided to continue the ACI Group recapitalization with such modifications as necessary to take into account the developments on the BI Group refinancing.

9. ABH has now determined that it will be unable to pursue an alternative restructuring of the BI Group without significant additional discussion and negotiation with its debtholders. As a result, it is not possible to establish the time frame within which the ACI Group's recapitalization could reasonably be completed, nor the amended terms on which it could be proposed.

10. In addition, the ABH Group is now experiencing a liquidity shortfall and no longer has the ability to meet its obligations as they become due and has become insolvent.

11. In particular, the ABH Group currently faces significant near-term liquidity challenges. As of March 31, 2009, ABH had in excess of $181 million in trade payables.

12. In addition, as of March 31, 2009, total short-term bank debt, current notes payable and current installments of long-term debt exceeded US$658 million. Significant past or upcoming debt maturities primarily of Abitibi and Bowater consist of:

(a) ACCC's Term Loan Facility (as defined below) due March 30, 2009 (about US$349.8 million outstanding as of March 31, 2009);

(b) about US$8 million in 7.875% Notes due August 1, 2009 issued by Abitibi-Consolidated of Finance L.P.;

(c) BI's Canadian Credit Facility due June 5, 2009 (US$61.1 million plus accrued interest outstanding as of March 31, 2009); and

(d) about US$251.8 million in BI 9% debentures due August 1, 2009.

13. Due to the financial situation of the ABH Group:

(a) on April 16, 2009, ABH, BI and certain of their direct and indirect subsidiaries listed in Schedule "E" hereto (the "**U.S. Debtors**") commenced reorganizing cases by filing voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code seeking creditor protection in the U.S. Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**"). The U.S. Debtors will be requesting that their reorganization cases (the "**U.S. Proceedings**") be jointly administered by the U.S. Bankruptcy Court;

(b) the 18.6 Petitioners seek, *inter alia*, the recognition in Canada of the automatic statutory stay of proceedings resulting from its filing of a voluntary Petition for relief under Chapter 11 of the U.S. Bankruptcy Code and will be seeking recognition of interim and final orders from the U.S. Bankruptcy Court approving the BI DIP Facility (as defined below);

(c) the Bowater Petitioners seek protection of this Court under the CCAA. Save for Bowater Canadian Forest Products Inc., Bowater Canada Finance Corporation, BCHI, Bowater Canadian Limited, AbitibiBowater Canada Inc., Bowater LaHave Corporation and Bowater Maritimes Inc. (collectively, the "**Dual Petitioners**"), the Bowater Petitioners are not debtors in the U.S. Proceedings.;

(d) the Abitibi Petitioners seek protection of this Court under the CCAA and request an order from this Court continuing under the CBCA and the CCAA, the above-mentioned proceedings commenced by ACI and certain affiliates on March 13, 2009 under the CBCA; and

(e) ACI and Abitibi-Consolidated Company of Canada ("**ACCC**") intend to seek recognition of the proceedings described in section (d) in the U.S. by filing petitions under Chapter 15 of the U.S. Bankruptcy Code.

14. The consolidation of proceedings in respect of the Abitibi Petitioners and the Bowater Petitioners in this Petition is for administrative purposes only and shall not effect a consolidation of the assets and property of the Abitibi Petitioners and Bowater Petitioners, including for the purposes of any plan or plans of arrangement that may be hereafter proposed. Unless provided in the order sought herein, the Abitibi Petitioners and the Bowater Petitioners will continue to maintain their separate property and assets.

15. The U.S. Proceedings and these CCAA proceedings are required to provide the ABH Group and the Petitioners with the stability they require to arrange financing, pay their obligations as they become due and owing, maintain key contracts and continue ongoing efforts to restructure operations.

16. The ABH Group has, at this stage, decided not to seek court protection for the subsidiaries of the ABH Group operating in Europe and Asia and certain other partly owned subsidiaries. The ABH Group will let these subsidiaries operate in the normal course, to the fullest extent possible and advisable, and support same with available liquidities.

17. Unless expressly provided to the contrary, any reference herein to monetary amounts refers to Canadian dollars.

2. ABH GROUP'S STRUCTURE

2.1. ABH

18. A chart illustrating the complete corporate structure of the ABH Group and the filing proceedings undertaken for each entity is communicated as **Exhibit R-2**.

19. On October 29, 2007, ACI and BI agreed to combine in an all-stock merger of equals to create ABH (the "**Combination**").

20. The Combination was effected by means of a merger under Delaware law and a plan of arrangement pursuant to section 192 of the CBCA.

21. ABH is a corporation incorporated under the laws of the state of Delaware, with its headquarters and executive offices located in Montréal, Québec. ABH is a holding company and has no significant operations of its own. Instead, it conducts its business through its direct subsidiaries: ACI, BI, BNSLLC, Abitibi-Bowater US Holding LLC ("**ABUSH**") and their respective subsidiaries.

22. The business of the ABH Group is comprised of the businesses of the ACI Group, the BI Group and the DCorp Group, each of which is described separately below.

2.2. The ACI Group

23. A chart illustrating the corporate structure of the ACI Group and providing information on the indebtedness of certain entities therein is communicated as **Exhibit R-3**.

2.2.1. ACI

24. ACI is a CBCA corporation having its head office in Montréal, Québec, resulting from the 1997 amalgamation of Abitibi-Price Inc. and Stone-Consolidated Corporation under the CBCA. ACI and its successors have been operating in North America since the 1910s.

25. In 2000, ACI acquired all of the shares of Donohue Inc., a major Canadian integrated forest products company engaged in forest management and in the manufacturing and sale of newsprint, specialty papers, market pulp and wood products with mills located in Québec, Ontario, British Columbia and Texas.

26. ABH holds 82% of the shares in the share capital of ACI. AbitibiBowater Canada Inc. ("**ABCI**"), an indirect wholly-owned subsidiary of BI, itself a wholly-owned subsidiary of ABH, holds the remaining 18%.

27. ACI is the parent company of all the entities which formed part of the ACI Group prior to the Combination, except for those which currently form part of the DCorp Group (as defined hereunder).

2.2.2. *ACCC*

28. ACCC is a Québec company having its head office in Montréal, Québec. ACCC is wholly owned by ACI and owns, directly or indirectly, 16 pulp and paper mills and most of the operating assets of the ACI Group in Canada.

29. ACCC is the result of the 1997 merger of Donohue Forest Product Inc. and Donohue Quno Inc. under Part 1A of the Québec *Companies Act*. While on April 8, 2009, the Québec National Assembly adopted Private Bill 202 "*an Act Respecting Abitibi-Consolidated Company of Canada*" which authorizes ACCC to apply for continuance under the CBCA, given the current proceedings ACCC will defer to a later date its possible continuance under that Act.

2.2.3. *Other Operating Entities*

30. Saguenay Forest Products Inc. ("**Saguenay Products**") is a Québec company having its head office in Laterrière, Québec. ACCC holds a 86% equity interest in the company and all of the voting shares of the company. The company owns sawmills located in Petit-Saguenay, Laterrière and St Fulgence, Québec.

31. The International Bridge and Terminal Company ("**The International Bridge**") is a company created under a federal statute of Canada having its chief executive office in Montréal, Québec. The company is wholly owned by ACCC and holds a 50% stake in a bridge located in Fort-Frances International Falls, the other 50% interest in the bridge is owned by a U.S. subsidiary of Boise-Cascade Inc. ("**Boise**"), an entity that is not part of the ABH Group.

32. Marketing Donohue Inc. ("**MDI**") is a Québec company having its head office in Montréal, Québec. The company is a wholly-owned subsidiary of ACI. The company is engaged in the sale of wood products for the ACI Group.

33. Terra Nova Explorations Ltd. ("**Terra Nova**") is a Québec company having its head office in Montréal, Québec. The company is wholly owned by ACCC and is used from time to time for maritime bulk shipping tax logistics purposes.

2.2.4. *Financing and Holding Entities*

34. Abitibi-Consolidated Nova Scotia Incorporated ("**ACNSI**") is a Nova Scotia company having its head office in Halifax, Nova Scotia. It is wholly owned by ACCC and is the general partner of Abitibi-Consolidated Finance LP ("**ACFLP**"). ACFLP is a Delaware limited partnership, the limited partner of which is ACCC. ACFLP is the issuer of US$250 million in 7.875% Notes due August 1, 2009 (referred to below).

35. The Jonquière Pulp Company ("**Jonquière Pulp**") is a company created under a Québec provincial statute having its head office in Montréal, Québec. The company is a wholly-owned subsidiary of ACCC and owns lands and rights for the ACI Group's Saguenay operations.

36. Scramble Mining Ltd. ("**Scramble**") is an Ontario corporation having its registered office in Toronto, Ontario. The corporation is wholly owned by ACCC and owns mining lands.

37. 3834328 Canada Inc. ("**3834328**") is a CBCA corporation having its registered office in Montréal, Québec. It is a holding corporation which is wholly owned by ACI and holds two preferred shares of ACCC.

38. 1508756 Ontario Inc. ("**1508756**") is an Ontario corporation having its head office in Thorold, Ontario. The corporation is wholly owned by ACCC and is the nominee for the Thorold paper mill owned by ACCC.

39. Abitibi-Consolidated Canadian Office Products Holdings Inc. ("**ACCOPHI**") is a CBCA corporation having its registered office in Toronto, Ontario. The corporation is wholly owned by ACI and is the sole shareholder of Tenex Data Inc., a Delaware corporation.

2.2.5. *Non-Operating Entities*

40. 3224112 Nova Scotia Limited ("**3224112**") is a Nova Scotia limited company having its registered office in Halifax, Nova Scotia. 3224112 is wholly-owned by ACCC. The company has no activities and has been liquidated.

41. La Tuque Forest Products Inc. is a Québec company having its head office in La Tuque, Québec. It is wholly owned by ACCC. The company has no activities and has been liquidated.

42. 3217925 Nova Scotia Company is a Nova Scotia company having its registered office in Halifax, Nova Scotia. It is a holding company which is wholly owned by ACCC, has no activities and has been liquidated.

43. 9150-3383 Québec Inc. is a Québec company having its head office in Saint-Raymond, Québec. The company is wholly owned by ACCC, has no activities and has been liquidated.

44. Donohue Recycling Inc. ("**DRI**") is an Ontario corporation having its registered office in Montréal, Québec. The corporation is wholly owned by ACCC and currently has no activities.

45. 6169678 Canada Inc. ("**6169678**") is a CBCA corporation having its registered office in Grand Falls, Newfoundland and Labrador. The corporation is wholly owned by ACI and has no activities.

46. 4042140 Canada Inc. is a CBCA corporation having its registered office in Montréal, Québec. The corporation is wholly owned by ACI and has no activities.

2.3. BI Group

47. A chart illustrating the corporate structure of the BI Group and providing information on the indebtedness of certain entities therein is communicated as **Exhibit R-4**.

2.3.6. BI

48. BI is a Delaware corporation having its chief executive office in Greenville, South Carolina. The corporation has been operating in North America since 1938.

49. In 1998, BI acquired the shares of Avenor Inc., an important Canadian integrated forest products company headquartered in Montréal, Québec. The acquisition added 5 paper mills to BI's operations.

50. In 2001, BI acquired the shares of Alliance Forest Products Inc., a company headquartered in Montréal, thereby adding 10 Canadian sawmills and 3 paper mills to BI's operations.

51. BI directly or indirectly holds most of the U.S. operating assets of the ABH Group with the exception of those held by the DCorp Group and by BNSLLC and its subsidiaries.

2.3.7. BNSLLC

52. BNSLLC is a Delaware company having its registered office in Wilmington, Delaware. It is a holding company which is wholly owned by ABH and indirectly holds, through its subsidiaries Bowater Newsprint South Operations LLC and Bowater Alabama LLC, the following: (a) the Coosa Pines Paper Mill, (b) the Grenada Paper Mill, (c) the Goodwater Planer Mill, (d) equity in Coosa Pines Golf Club Holdings LLC, which owns a golf course and (e) the currently idled Westover Sawmill.

2.3.8. BCFPI

53. Bowater Canadian Forest Products Inc. ("**BCFPI**") is a Nova Scotia company having its registered office in Halifax, Nova Scotia. It is wholly owned by ABCI. The company, in addition to operating paper-manufacturing sites in Canada and a paper-manufacturing site in Korea, manages 14 million acres of Crown-owned land in Québec, New Brunswick and Ontario, where it holds cutting rights. It also supplies wood to paper mills and sawmills in Canada and is responsible for the marketing and sales of Canadian lumber products.

54. BCFPI directly or indirectly holds a substantial portion of the Canadian operating assets of the BI Group and is the limited partner of Bowater Canada Finance Limited Partnership ("**BCFLP**"), which is described below.

2.3.9. BMPCL

55. Bowater Canadian Limited ("**BCL**") is a CBCA corporation having its registered office in Halifax, Nova Scotia. This holding corporation is wholly owned by BI and holds intellectual property rights as well as an equity interest in Bowater Mersey Paper Company Limited ("**BMPCL**").

2.3.10. Other Non-Operating Entities

56. Bowater Maritimes Inc. is a New Brunswick company which has its registered office in Dalhousie, New Brunswick and is wholly owned by BI. The company is the owner of the closed Dalhousie paper mill and woodlands in Québec.

57. St-Maurice River Drive Company is a CBCA corporation which has its head office in Trois-Rivières, Québec. The corporation is 77% owned by ACCC and 22% owned by BCFPI, it holds no assets and its operations ceased on March 31, 1999.

2.3.11. Financing and Holding Entities

58. Bowater Canada Finance Corporation ("**BCFC**") is a Nova Scotia company having its registered office in Halifax, Nova Scotia. The company is wholly owned by BI and is the issuer of the US$ 600 million in 7.95% Notes due November 15, 2011.

59. Bowater Canadian Holdings Incorporated ("**BCHI**") is a Nova Scotia company having its registered office in Halifax, Nova Scotia. BCHI is wholly owned by BI and is a holding company for Bowater's Canadian activities (except for the Nova Scotia operations).

60. ABCI is a CBCA corporation having its registered office in Toronto, Ontario. It is a holding corporation which is wholly owned by BCHI and owns an 18% equity interest in ACI.

61. Bowater Canada Treasury Corporation ("**BCTC**") is a Nova Scotia company having its registered office in Halifax, Nova Scotia. The company is wholly owned by BCHI and is the general partner of BCFLP, a New Brunswick limited partnership having its chief executive office in Fredericton, New Brunswick. BCFLP is used for financing activities and its limited partner is BCFPI.

62. Bowater Shelburne Corporation is a Nova Scotia company having its registered office in Halifax, Nova Scotia. The company is wholly owned by BCFLP and has no activities.

63. Bowater LaHave Corporation ("**Bowater LaHave**") is a Nova Scotia company having its registered office in Halifax, Nova Scotia. The company is wholly owned by BCFPI and is the holding company of Bowater-Korea Ltd., which owns the Mokpo mill located in South Korea.

64. Bowater Pulp and Paper Canada Holdings Limited Partnership is a New Brunswick limited partnership having its registered office in Fredericton, New Brunswick. The general partner of the partnership is Bowater Ventures Inc. ("**BVI**"), a Delaware

corporation owned by BI, and its limited partner is BI. The partnership is a financing vehicle.

2.3.12. *Non-Operating Entities*

65. Bowater Mitis Inc. is a Québec company having its registered office in Price, Québec. The company is wholly owned by BCFPI, has no activities and has been liquidated.

66. Bowater Guérette Inc. ("**BGI**") is a Québec company having its registered office in Dégelis, Québec. The company is wholly owned by BCFPI, has no activities and has been liquidated.

67. Bowater Couturier Inc. is a New Brunswick company having its registered office in Baker Brook, New Brunswick. The company is wholly owned by BGI, has no activities and has been liquidated.

68. Alliance Forest Products Inc. (2001) Inc. is a CBCA corporation having its registered office in Montréal, Québec. The corporation is wholly owned by BCFPI, holds no assets and is currently inactive.

69. Bowater Belledune Sawmill Inc. is a CBCA corporation having its registered office in Toronto, Ontario. The corporation is wholly owned by BCFPI, holds no assets and is currently inactive.

70. Bowater Treated Wood Inc. is a Québec company having its registered office in Dégelis, Québec. The company is wholly owned by BCFPI, holds no assets and is currently inactive.

71. Canexel Hardboard Inc. is a CBCA corporation having its registered office in Montréal, Québec. The corporation is wholly owned by BCFPI, holds no assets and is currently inactive.

72. 3231378 Nova Scotia Company is a Nova Scotia company having its registered office in Halifax, Nova Scotia. It is wholly owned by BVI and has no assets and is not operating.

73. 9068-9050 Québec Inc. is a Québec company having its registered office in Montréal, Québec. The company is wholly owned by BCFPI, holds no assets and is currently inactive.

2.4. <u>DCorp Group</u>

74. The corporate structure of ABUSH (collectively referred to, with its subsidiaries, as the "**DCorp Group**") is illustrated as part of the chart for the ACI Group (Exhibit **R-3**).

75. The DCorp Group has no assets or operations in Canada and none of its entities are Petitioners in the CCAA proceedings but its activities are closely related and inter-connected with those of the ACI Group.

76. ABUSH is a Delaware corporation having its registered office in Wilmington, Delaware. This holding corporation for the DCorp Group is wholly owned by ABH.

77. Donohue Corp. ("**DCorp**") is a Delaware corporation having its registered office in Wilmington, Delaware. It is a holding corporation which is wholly owned by ABUSH.

78. Abitibi Consolidated Sales Corporation ("**ACSC**") was originally incorporated in Delaware in 1956, under the name Northeastern Paper Sales Inc., and results from the 1997 merger of Abitibi-Price Sales Corporation with Stone Consolidated U.S. Corporation. ACSC is wholly owned by DCorp and is the entity through which sales of the ACI Group to customers located in the United States are effected.

79. ACSC directly or indirectly holds most of the U.S. operating assets of the DCorp Group, with the exception of certain recycling facilities which are held directly or indirectly by DCorp.

80. Alabama River Newsprint Co. ("**ARNC**") is an Alabama general partnership having its chief executive office in Claiborne, Alabama. ARNC owns the Alabama newsprint mill located in Perdue Hill, Alabama which has been idle since December 2008. Its general partner is ACSC and its limited partner is Abitibi-Consolidated Alabama Corporation ("**ACAC**"), an Alabama corporation having its registered office in Montgomery, Alabama, which is wholly owned by ACSC.

81. Abitibi-Consolidated Corporation ("**ACC**") is a Delaware corporation having its registered office in Wilmington New Castle, Delaware. The corporation is wholly owned by DCorp and is engaged in the recycling business. ACC owns recycling and sorting facilities in several U.S. cities.

82. Augusta Woodlands, LLC ("**Augusta**") is a Delaware limited liability company having its chief executive office in Montréal, Québec. The company is wholly owned by ACC, has no activities and owns a tele-communication tower and piece of land.

3. ABH GROUP'S BUSINESS AND AFFAIRS

3.1. Business of the ABH Group

83. The ABH Group is the largest producer of newsprint in the world, as well as a major producer of uncoated ground wood (commercial printing) papers and wood products.

84. The ABH Group has about 15,800 employees. It owns interests in or operates 34 pulp and paper mills, 32 sawmills, 6 wood product facilities and 32 recycling facilities in Canada, the United States, the United Kingdom and Korea.

85. ABH realized revenues of about US$6.771 billion over the twelve-month period ending December 31, 2008.

86. ABH also directly or indirectly holds equity interests in various companies operating, among other things, recycling facilities and power generation facilities.

3.2. Business of the ACI Group

87. The ACI Group has about 9,035 employees. It owns interests in or operates 18 paper mills, 23 sawmills, 6 wood product facilities and 12 recycling facilities in Canada and in the United Kingdom, the whole as appears from a table listing the ACI Group facilities, communicated as **Exhibit R-5**.

88. The ACI Group also holds, directly or indirectly, equity interests in various companies operating, among other things, power generation facilities, the most significant of which are the following:

    (a) ACCC holds a 60% equity interest in Manicouagan Power Company ("**MPCo**"), a joint venture with Alcoa Canada Ltée that operates a 350.38 MW hydroelectric facility situated on the Manicouagan River, Québec;

    (b) ACCC holds a 75% equity interest in ACH Limited Partnership ("**ACH**"), a joint venture with Caisse de dépôt et placement du Québec for its Ontario hydroelectric generation facilities, which encompasses eight hydroelectric facilities located in Ontario;

    (c) ACCC holds a 51% equity interest in Star Lake Hydro Partnership ("**SLHP**"), a joint venture with CHI Hydroelectric Company Inc. for its Newfoundland hydroelectric generation facilities. In December 2008, the Government of Newfoundland and Labrador announced the expropriation of Abitibi's provincial assets, including the SLHP facilities;

    (d) ACCC holds a 49% equity interest in Exploits River Hydro Partnership, a joint venture with Fortis Properties Corporation for the development and operation of hydroelectric plants at Bishop's Falls and Grand Falls-Windsor in the Province of Newfoundland;

    (e) ACI holds a 51% equity interest in Donohue Malbaie Inc. ("**Donohue Malbaie**"), a joint venture with The New York Times Company, which owns and operates a paper machine at one of Abitibi's newsprint mills;

    (f) ACCC and its subsidiaries own or operate significant woodlands in Canada;

    (g) BCL holds a 51% equity interest in BMPCL, a joint venture with The Washington Post Company, which owns and operates a Sawmill in Oakhill, Nova Scotia, as well as a Papermill and woodlands in Mersey, Nova Scotia.

89. ACCC owns and operates, through Bridgewater Paper Company Limited ("**Bridgewater**"), a company under the laws of England, a newsprint mill situated in Bridgewater, United Kingdom. Bridgewater is the entity through which sales are made by the ACI Group to customers located in the U.K. and in certain European countries.

90. ACI also holds equity interests in other European companies operating, among other things, recycling facilities in the United Kingdom.

3.3. Business of the BI Group

91. The BI Group has about 5,989 employees. It owns interests in or operates 13 paper mills and 9 sawmills in the United States, Canada and South Korea, the whole as appears from a table listing the BI Group facilities, communicated as **Exhibit R-6**.

92. The BI Group has about 2,610 employees in Canada, where it owns interests in or operates 6 pulp and paper mills.

93. The BI Group also holds a 51% equity interest in BMPCL which owns a sawmill located in Oakhill, Nova Scotia, as well as a paper mill and woodlands located in Mersey, Nova Scotia.

94. The BI Group also owns or operates significant woodlands in Canada.

3.4. Business of the DCorp Group

95. As previously mentioned, the DCorp Group no longer forms part of the ACI Group. Its activities are, however, closely related to those of the ACI Group.

96. The DCorp Group has about 785 employees. The DCorp Group owns interests in or operates 3 pulp and paper mills (only 1 of which is currently in operation) and 20 recycling facilities, all of which are situated in the United States, the whole as appears from a table listing the DCorp Group facilities, communicated as **Exhibit R-7**.

3.5. Sales and Distribution

97. The ABH Group produces various products including newsprint, specialty papers, wood pulp and wood products (collectively the "**Products**").

3.5.1. ACI Group

98. Most of the Products produced by the ACI Group are produced in mills owned directly or indirectly by ACCC. These Products are then sold by ACCC to ACI and, in turn, ACI sells ACI Group's Products directly to customers located in Canada and outside of North America, excluding certain European countries. ACI takes legal title in the Products before they are sold.

99. ACI sells Products directly to Bridgewater, a U.K. company owned by ACCC and in turn, Bridgewater sells ACI Group's Products to customers in the U.K. and in the rest of Europe. Bridgewater takes legal title in the Products before they are sold.

100. ACI also sells Products directly to ACSC, a Delaware corporation which forms part of the DCorp Group and in turn, ACSC sells ACI Group's Products to customers located in the United States. A significant amount of accounts receivables are thus generated between ACI and ACSC. ACSC takes legal title in the Products before they are sold.

101. As an exception to the ACI Group's general sales structure:

(a) ACCC is a party to a contract with Boise, whereby ACCC supplies pulp to Boise's International Falls (U.S.) facility directly from its mill in Fort-Frances, Ontario;

(b) ACCC is the main supplier of wood chips to SFK Pulp's St- Félicien pulp mill, a mill located in Québec which was previously owned by ACCC; and

(c) Donohue Malbaie (a joint venture with The New York Times Company in which ACCC holds a 51% interest) sells its Products directly to ACCC, which in turn, sells a portion of its production to the New York Times Company. Donohue Malbaie is not a Petitioner in these proceedings.

3.5.2. *DCorp Group*

102. The DCorp Group has only one mill currently in operation (Augusta) in the United States. The production from this mill is entirely and directly sold by Bowater America Inc. ("**BAI**"), in ACSC's name, to customers located in the United States.

103. As noted above, ACSC sells the ACI Group's Products to customers located in the United States.

3.5.3. *BI Group*

104. Sales for the BI Group originate from Products produced by mills in the United States or by BCFPI mills in Ontario and Québec.

105. The BI Group's Products are sold directly by the entity that manufactured the Products to customers located in Canada or outside of North America, sometimes through third-party agents or brokers.

106. The BI Group's Products (except for BMPCL's Products) are also sold to BAI and in turn, BAI sells these Products to all customers located in the United States. BAI takes legal title in the Products before they are sold.

107. BMPCL's Products, a partnership with the Washington Post, are sold to BI and in turn, BI sells these Products to customers located in the United States and outside of North America. BI takes legal title to the Products before they are sold. BMPCL sells directly its Products directly to customers located in Canada.

108. The lumber originating from BI Group sawmills is sold directly by BI producing entities to customers located in the United States and in Canada.

3.5.4. *Securitization Program*

109. As described in greater detail in section 4.2.1.4 hereof, the accounts receivable of ACI and ACSC from clients which have a billing address in Canada, the U.S. or any other country outside the U.K., Belgium Ireland and Germany are sold to ACUSFC as part of the Securitization Program (as hereinafter defined).

3.5.5. *Sales Forces and Brokers*

110. The United States sales forces for newsprint and specialty papers are all employed by BAI, while the Canadian sales forces for these Products are employed by ACCC. However, the sales force for all wood products produced by the ABH Group is centralized in ACCC.

111. The ABH Group relies upon third-party brokers and agents to sell Products. Brokers and agents are relied upon to obtain new customers and to maintain long-term customer relationships for certain products. In general, such brokers and agents are responsible for the promotion, sale, solicitation and confirmation of orders from customers, as well as for communicating with customers regarding the sales and marketing of the Products.

112. For many of the brokers and agents, commissions constitute the sole source of revenue for any given sale. Thus, the majority of brokers and agents do not receive a profit margin on any of the Products that they sell. In addition, in many instances, no specific performance goals or quotas exist obligating the Petitioners to sell a pre-defined amount of product or to aggressively solicit new customers. In other words, the brokers' and agents' incentive to expend effort to sell the Petitioners' Products (as opposed to someone else's product) directly links to the brokers' and agents' commission package. Accordingly, if the brokers and agents are not paid their commissions, the brokers and agents may and can substantially reduce their sales efforts on behalf of the Petitioners because the ongoing payment of commissions constitutes their only incentive to sell the Petitioners' Products.

3.6. Cash Management

113. In the ordinary course of their respective businesses the ACI Group, the BI Group and the DCorp Group use centralized cash management systems (collectively the "**Centralized Cash Management System**") to collect funds and pay expenses associated with their operations.

114. The ABH Group's treasury department ("**Treasury**"), situated in Montréal, exercises primary oversight of the Centralized Cash Management System. By centralizing control over cash management in Montréal, the ABH Group is able to facilitate cash forecasting and reporting, monitor collection and disbursement of funds, and maintain control over the administration of various bank accounts required to effect the collection, disbursement and movement of cash.

115. The ABH Group administers its Centralized Cash Management System along the lines of the historical practices of each of the BI Group and ACI Group. As a result, two essentially separate but centrally controlled systems funnel revenue from the ACI Group (including to a certain extent, the DCorp Group) and the BI Group into separate concentration accounts, from which disbursements are made to cover each group's separately incurred costs. The ACI Group's cash management system and the DCorp Group's cash management system (collectively the "**ACI Cash Management System**") are, to a certain extent, integrated and interrelated and operate independently from the BI Group's cash management system (the "**BI Cash**

Management System"). Transfer pricing mechanisms and intercompany agreements exist to allocate the costs within and across each group and to ABH, the ultimate parent.

116. The Centralized Cash Management System is similar to those commonly employed by multinational enterprises of similar size and complexity as the ABH Group. Substantially disrupting the Centralized Cash Management System would impair the Petitioners' and certain of its joint ventures' ability to carry on business, as they presently have no cash management or payables systems of their own.

117. The ABH Group will continue to maintain accurate and current records with respect to all transactions, whether transfers of cash, setoffs or otherwise, so that all transactions can be readily ascertained, traced and properly recorded on applicable intercompany accounts. The ABH Group's inability to continue using the Centralized Cash Management Systems would severely, and perhaps irreparably, disrupt the ABH Group's operations.

118. Ernst & Young Inc., the proposed Monitor, has reviewed the Centralized Cash Management System and will be able to adequately monitor the transfers of cash, including transfers within the Centralized Cash Management System, so that transactions applicable between the ACI Group, the BI Group and the DCorp Group can be ascertained, traced and recorded properly on applicable intercompany accounts.

3.6.1. The BI Group Cash Management System

119. A diagram outlining the general movement of funds within the BI Cash Management System is communicated as **Exhibit R-8.**

120. The BI Group conducts its principal treasury functions in Montréal on a group-wide basis. The BI Group manages its cash primarily through three concentration accounts: (a) one with Wachovia Bank, National Association ("**Wachovia**") for United States operations (the "**Wachovia Concentration Account**"); and (b) two with Bank of Montreal ("**BMO**") for Canadian operations (these two separate accounts are denominated in US and Canadian dollars respectively and comprise the BMO concentration accounts (the "**BMO Concentration Accounts**")).

121. The BI Group's United States receivables are collected primarily through a network of lockboxes aligned with its various product lines (pulp, paper and wood) and centralized in the Wachovia Concentration Account. Disbursements, in turn, are made for the most part directly from the concentration accounts or funneled through separate bank accounts maintained at other institutions. The Wachovia Concentration Account also receives some direct deposits and wire transfers from the BI Group's United States customers, as well as customer payments from anywhere in the world made in electronic form and remitted from BAI's bank account with JP MorganChase Bank N.A.

122. The BI Group uses the Wachovia Concentration Account (along with a separate bank account at Wells Fargo Bank, N.A. used for cheque writing purposes) for the majority of its significant disbursements in the United States.

123. Similarly, the BI Group's Canadian receivables, including transfers from BI to its Canadian subsidiary, BCFPI, to fund Canadian operations, are centralized in the BMO Concentration Accounts from which the BI Group makes disbursements to fund Canadian operations.

3.6.2. *The ACI Group and the DCorp Group Cash Management System*

124. Diagrams outlining the general movement of funds within the ACI Cash Management System and DCorp Cash Management System are communicated as **Exhibit R-9**.

125. The ACI Group conducts its principal treasury functions in Montréal on a group-wide basis. The ACI Group's cash management system functions through a series of lockboxes, lockbox accounts and concentration accounts designed to centralize and regulate the flow of cash among various corporate entities. The ACI Group has monetized substantially all of its accounts receivable and most of its principal lockbox accounts for collecting customer payments are therefore subject to controlled account agreements with Citibank, N.A. ("**Citibank**").

3.6.2.1. Securitization Accounts

126. As described in greater detail in section 4.2.1.4 hereof, ACI and ACSC are parties to a two-level receivables Securitization Program (as defined below). Accounts receivable sold by ACI and ACSC to ACUSFC under the Securitization Program are collected through six separate lockbox accounts in the name of ACI or ACUSFC which are subject to control agreements in favour of Citibank as Agent under the Securitization Program. These accounts and the amounts deposited therein are owned by ACUSFC. Pursuant to the terms of the Securitization Program, the funds in the lockbox accounts are released on a daily basis, first to pay various expenses related to the Securitization Program, and then, subject to the satisfaction of conditions precedent and the maintenance of certain reserves, to purchase additional Receivables from ACI and ACSC. Funds from the lockbox accounts are transferred daily into two accounts controlled by Citibank that serve to concentrate deposits from receivables in U.S. and Canadian dollar accounts.

(i) Canadian Dollar Lockbox Accounts

127. Two lockbox accounts exist for collecting payments from ACI's Canadian customers in Canadian dollars, one for paper sales and the other for wood products sales, both of which are maintained with RBC. Deposits into these accounts are transferred daily into a joint account held by ACI with Citibank's Toronto branch (the "**Citi Toronto Securitization Account**"). As additional receivable purchases are made under the Securitization Program, Citibank transfers funds directly from the Citi Toronto Securitization Account into the ACCC Cdn$ Treasury Account (as defined below).

(ii) U.S. Dollar Lockbox Accounts

128. Four lockbox accounts exist for the collection of U.S. dollar accounts receivable. ACUSFC, the special purpose entity under the Securitization Program, owns two lockbox accounts with Bank of America, one for paper sales and the other for wood

products sales. Both accounts are designed to collect customer payments in U.S. dollars on the accounts receivable sold to ACUSFC by ACSC under the Securitization Program. ACI also maintains a lockbox account for U.S. dollar receivables with RBC in Montréal for payments made by ACI's Canadian customers in U.S. dollars, and ACUSFC maintains a lockbox account with Citibank's New York branch for collection of receivables from international sales (excluding the U.K. and Europe).

129. Payments into U.S. dollar lockbox accounts are concentrated into ACUSFC's Citibank New York Branch lockbox account (the "**Citi US Securitization Account**"), which serves as the equivalent of the Citi Toronto Securitization Account and collects payments in U.S. dollars subject to the Securitization Program. As additional receivable purchases are made, Citibank transfers funds directly from the Citi U.S. Securitization Account into the ACI Concentration Account (as defined below).

3.6.2.2. U.S. Operating Accounts

130. The ACI Group uses three principal U.S. concentration accounts in U.S. dollars, one each in the name of each of ACC, ACSC and ACI, as well as a U.S. dollar treasury account with Bank of America in ACCC's name.

(i) ACC

131. The ABH Group conducts its recycling operations through ACC. ACC maintains a concentration account (the "**ACC Concentration Account**") with Bank of America.

132. Deposits into the ACC Concentration Account come from: (a) recycling customer receivables collected through a lockbox held with Bank of America in Chicago; and (b) intercompany funding transfers from the ACSC Concentration Account (as defined below).

133. ACC uses the ACC Concentration Account for funding accounts payables arising from its recycling operations. It makes such payments through the use of two accounts in its name also held at Bank of America. Excess cash (if any) in the ACC Concentration Account is transferred to the ACSC Concentration Account as defined below.

(ii) ACSC

134. ACSC historically employed what is now the BI Group's United States sales force. Since the Combination, however, the ABH Group has centralized its sales force under BAI, which now employs almost all of the North American sales and customer service representatives. As noted above, under the ABH Group's intercompany transfer pricing arrangements, ACSC continues to be the entity through which the products are sold by the ACI Group and DCorp Group to customers located in the United States. ACSC maintains a concentration account with Bank of America (the "**ACSC Concentration Account**").

135. Deposits into the ACSC Concentration Account consist primarily of transfers from the ACC Concentration Account, but also include miscellaneous deposits from the

Augusta mill operations and intercompany transfers from the ACI Concentration Account (as defined below).

136. Transfers from the ACSC Concentration Account include: (a) payments on account of certain mill and wood products operations (including for purchases from Augusta Newsprint Company); and (b) transfers to the ACC and ACI Concentration Accounts. ACSC pays its U.S. dollar payables from two accounts held in its own name at Bank of America. Excess cash (if any) is transferred to the ACI Concentration Account on a daily basis.

(iii) ACI

137. ACI historically functioned as a holding company. Aside from selling the ACI Group's products to customers located in Canada and outside of North America, excluding certain European countries, it has no operations of its own. It maintains a United States concentration account (the "**ACI Concentration Account**") at Bank of America for purposes of managing cash flow within the United States and ultimately, to channel funds to Canada.

138. Deposits into the ACI Concentration Account originate principally from the Citi US Securitization Account and also include intercompany transfers from the ACSC Concentration Account.

139. Transfers from the ACI Concentration Account include: (a) daily sweeps of excess cash into an overnight investment account with Bank of America; and (b) transfers of cash to the ACCC US Treasury Account (as defined below).

(iv) ACCC

140. ACCC maintains a U.S. dollar A/P account as well as a US treasury account at Bank of America (the "**ACCC US Treasury Account**").

141. Deposits into the ACCC US Treasury Account include transfers from the ACI Concentration Account, while ACCC makes all U.S. dollar electronic fund transfers for its Canadian legal entities from the ACCC US Treasury Account. ACCC also makes intercompany transfers from the ACI Concentration Account to its Canadian treasury account through the ACCC US Treasury Account.

3.6.2.3. Canadian Operations

(i) ACCC

142. Funds released from the Citi Toronto Securitization Account flow into a principal operating account held in ACCC's name with RBC (the "**ACCC Cdn$ Treasury Account**").

143. Transfers from the Securitization Program coming from the Citi Toronto Securitization Account constitute the principal deposits into the ACCC Cdn$ Treasury Account. Deposits also include transfers from (a) the ACCC US Treasury Account; and (b) certain CIBC accounts upon conversion of U.S. dollar or other non-

Canadian currency transfers into Canadian dollars. Transfers into the CIBC foreign currency exchange accounts include transfers from the ACCC US Treasury Account and the Company's European operations.

144. The ACCC Cdn$ Treasury Account is the Abitibi Group's principal operating account and is used for most payables arising from its Canadian operations, including payroll. Transfers are made from the ACCC Cdn$ Treasury Account to a variety of additional accounts with RBC (the "**RBC Funding Accounts**") that serve accounts payable or payroll functions. The Company transfers money into the RBC Funding Accounts on an "as needed" and generally daily basis. Excess amounts in the RBC Funding Accounts are transferred back into the ACCC Cdn$ Treasury Account.

145. ACCC also maintains a U.S. dollar account in Canada with RBC (the "**ACCC US$ RBC Account**"). Historically a concentration account for collecting U.S. dollar receivables, the ACCC US$ RBC Account now serves a much more limited function. Inflows include principally intercompany transfers from the United States (specifically, from the ACCC US Treasury Account) that are transferred through ACCC's two accounts with CIBC in connection with foreign currency conversion functions. Outflows include transfers to ACI's U.S. dollar treasury account in Canada with RBC. Also historically a concentration account for collection of U.S. dollar receivables, ACI's U.S. dollar RBC account now serves as a back-up account for U.S. dollar wire transfers in Canada, and otherwise has very limited activity.

(ii) ACI

146. ACI maintains a Canadian dollar treasury account with RBC. Deposits into this account include all Canadian non-accounts receivable payments (in Canadian dollars) arising from ACI's operations. Such deposits may comprise, for example, government rebates, miscellaneous proceeds from non-material asset sales in Canadian dollars, and similar transactions. Outflows from the ACI Canadian dollar treasury account are principally into the ACCC Cdn$ Treasury Account.

3.6.3. Intercompany Transactions

147. In the normal course of business, entities in the ABH Group engage in various intercompany transactions. As a result, at any given time, numerous intercompany transactions exist (the "**Intercompany Transactions**") that reflect intercompany payments and receivables made in the ordinary course among ABH Group entities (the "**Intercompany Claims**"). These Intercompany Transactions include, but are not limited to:

(a) Accounts Receivable, Accounts Payable, and Payroll: In their day to day operations, entities in the ABH Group contribute cash and process disbursements through the Centralized Cash Management System described above. The system is generally integrated along ACI Group and BI Group lines. Where receipts are collected into and disbursements are paid from the concentration accounts maintained by BI, ACC, ACI and ACCC, corresponding Intercompany Claims arise among BI, ACC, ACI, ACCC and the applicable ACI Group or BI Group entity. Also in the ordinary course of business, entities in the ABH Group collect cash and disburse funds on behalf of other entities within the corporate group. The Petitioners' accounts reflect the net position of both receipts and disbursements received or made on behalf of each Petitioner.

(b) Centrally Billed Expenses: In the ordinary course of business, entities in the ABH Group incur centrally billed expenses. These include, for example, centralized invoicing for raw materials (*e.g.*, wood chips bought from third parties, chemicals etc.) and freight and distribution costs, as well as certain employee medical costs, insurance premiums, accounts payable processing, certain taxes (including real estate, franchise, sales taxes, etc.) and leased equipment. To illustrate, the ABH Group has centralized many of its shipping and warehousing expenses. These charges are allocated among the Petitioners and the U.S. Debtors and are reflected in the intercompany accounts.

(c) Corporate Expense Allocation: Charges for corporate expenses provided by ABH to the Petitioners and to the U.S. Debtors are allocated among the Petitioners, the U.S. Debtors and ABH based upon the cost of service provided, directly identifiable costs, and other allocation methods.

(d) Intercompany Purchases and Centralized Sales: The ABH Group's sales and customer service representatives in the United States are employed by BAI. This team sells product in the United States on behalf of the entire corporate group. As a result, in the ordinary course of business, certain entities in the ABH Group purchase and sell products to or on behalf of other entities. For example, BAI sells wood products manufactured by BCFPI to BAI's United States customers. Once sold and invoiced to a United States customer in its own name, BAI purchases the lumber products from BCFPI via BI. The prices for such purchases are typically determined by BI and BCFPI based on the prices applicable to third parties that purchase similar products from BCFPI on an arm's length basis.

(e) Sales by ACI to ACSC: As mentioned previously, ACI sells Products directly to ACSC, which in turn sells ACI Group's Products to customers located in the United States.

148. The Petitioners maintain records of Intercompany Transactions and can ascertain, trace and account for Intercompany Transactions between and among the Petitioners, between and among the Petitioners and the U.S. Debtors, and among the Petitioners, the U.S. Debtors and their affiliates. The significant intercompany relationships are generally documented by intercompany agreements and notes.

149. To ensure that each individual Petitioner or U.S. Debtor will not fund, at the expense of its creditors, the operations of another entity, the Petitioners seek the granting of the priming charges described in the conclusions of this Petition and the U.S. Debtors will seek the approval of the U.S. Bankruptcy Court to accord administrative expense status to all Intercompany Claims against a U.S. Debtor by another Petitioner,

U.S.Debtor, or a non-debtor affiliate arising from an Intercompany Transaction after the effective time of the Initial Order sought herein or the filing of the U.S. Proceedings. If all Intercompany Claims are accorded a priming charge (in Canada) or administrative expense priority status (in the U.S.), each entity will continue to bear ultimate repayment responsibility for these ordinary course transactions.

3.7. <u>Employees</u>

150. As of December 31, 2008, the ABH Group employed about 15,809 active employees, of which 11,268 work in Canada and 3,922 work in the United States. The ABH Group also has 619 employees in Europe and South Korea.

(a) of the 11,268 employees in Canada, about 8,996 are covered by collective bargaining agreements. As of December 31, 2008, 2,272 employees of the ABH Group's mills and related facilities in Canada, including those in the corporate headquarters in Canada, are non-unionized. Of the total number of employees in Canada, 613 employees are directly employed by joint ventures or partnerships which will not be included as part of the Canadian CCAA proceedings;

(b) of the 3,922 employees in the United States, about 2,275 are covered by collective bargaining agreements. As of December 31, 2008, 1,647 employees of the ABH Group's mills and related facilities in the United States, including those in corporate offices in the United States, are non unionized. Of the total number of employees in the United States, 532 employees are directly employed by joint ventures which will not be included as part of the U.S. Chapter 11 proceedings; and

(c) of the 619 employees in Europe and South Korea, about 442 are covered by collective bargaining agreements. As of December 31, 2008, 177 employees of the ABH Group's mills and related facilities in Europe and in South Korea are non unionized.

151. Schedules providing a breakdown per location of the ABH Group employees are communicated, *en liasse*, as **Exhibit R-10**.

152. The ACI Group's gross payroll obligations (salaried and hourly) for the fiscal year 2008 were approximately $287.4 million; and the aggregate gross payroll obligations of the Canadian entities of the BI Group (salaried and hourly) for the same period were approximately $99.3 million.

153. The ACI Group and the BI Group also offer benefits to their eligible salaried and hourly employees, including through group insurance programs. The total amounts paid by the ACI Group for benefits (including current pension contributions and OPEB payments) for hourly and salaried employees during 2008 totalled approximately $133.9 million, while hourly and salaried benefits (including current pension contributions and OPEB payments) paid by the Canadian entities of the BI Group totalled $46 million.

154. The ABH Group's employees are paid on a periodic basis customary for the jurisdiction in which they work and the ABH Group's employers are current in the payment of benefits and vacation pay to their respective employees. Deductions from employee salaries are made, as required by the various jurisdictions, and these deductions are remitted to the appropriate governmental authorities, where applicable.

4. FINANCIAL SITUATION AND STRUCTURE

4.1. Financial results

4.1.1. ABH

155. For the fiscal year ended September 30, 2008, ABH recorded a net loss of about US$801 million. ABH's sales for this period were about US$5,154 billion, the whole as appears from interim consolidated financial statements of ABH for the nine-month period ended September 30, 2008, communicated as **Exhibit R-11**.

4.1.2. The ACI Group

156. For the fiscal year ended December 31, 2005, the ACI Group (which included the DCorp Group) recorded a net loss of $276 million. The ACI Group's revenues for 2005 were $5.34 billion, compared to $5.30 billion for 2004.

157. For the fiscal year ended December 31, 2006, the ACI Group (which included the DCorp Group) recorded net earnings of $54 million. The ACI Group's revenues for 2006 were $4.85 billion.

158. For the fiscal year ended December 31, 2007, the ACI Group (which included the DCorp Group) recorded a net loss of $693 million. The ACI Group's revenues for 2007 were $4.1 billion.

159. For the nine-month period ended September 30, 2008, the ACI Group (which included the DCorp Group until March 31, 2008) recorded a net loss of $1.06 billion. The ACI Group's revenues for the same period were $2.584 billion, the whole as appears from interim consolidated financial statements of ACI for the nine-month period ended September 30, 2008, communicated as **Exhibit R-12**.

4.1.3. The BI Group

160. For the fiscal year ended December 31, 2005, the BI Group recorded a net loss of US$120.6 million. The BI Group's sales for 2005 were US$3.48 billion, compared to US$3.19 billion for 2004.

161. For the fiscal year ended December 31, 2006, the BI Group recorded a net loss of US$138 million. The BI Group's sales for 2006 were US$3.53 billion.

162. For the fiscal year ended December 31, 2007, the BI Group recorded a net loss of US$491 million. The BI Group's sales for 2007 were US$3.21 billion.

163. For the nine-month period ended September 30, 2008, the BI Group recorded a net loss of US$294 million. The BI Group's revenues for the same period were US$2.524 billion, the whole as appears from interim consolidated financial statements of BI for the nine-month period ended September 30, 2008, communicated as **Exhibit R-13.**

164. For the nine-month period ended September 30, 2008, BCFPI and its subsidiaries recorded a net loss of $385 million. The revenues of BCFPI and its subsidiaries for the same period were $916 million, the whole as appears from interim consolidated financial statements of BCFPI for the nine-month period ended September 30, 2008, communicated as **Exhibit R-14.**

4.2. Indebtedness

4.2.1. The ACI Group Indebtedness

165. In addition to trade debts, the principal debt obligations of the ACI Group currently outstanding consist of credit facilities and public debt obligations. In addition, Abitibi is party to a securitization program. The indebtedness of the ACI Group as of March 31, 2009 included the following:

Senior Notes	US$431 million
Term Loan	US$349.8 million
Public debt obligations	US$3,029 million
Trade and other creditors	$141 million
Pension/OPEB contingent liabilities	$1,174 million
Accrued vacation time	$61.9 million

4.2.1.1. ACCC Term Loan

166. ACCC is party to a Credit and Guaranty Agreement dated as of April 1, 2008 (the "**Term Loan Facility**"), among, *inter alia*, ACCC, as borrower, ACI, as guarantor, the other guarantors party thereto, the lenders party thereto (the "**Lenders**"), and Goldman Sachs Credit Partners L.P., as administrative agent (the "**Agent**"), under which an amount of about US$347 million of principal remains outstanding.

167. The Term Loan Facility is secured, *inter alia*, by a first ranking charge on certain movable property, corporeal and incorporeal (including monies, instruments and inventory), claims, securities, insurance and receivables not otherwise charged in connection with the Senior Notes (as defined below), and excluding equipment, intellectual property and capital stock of subsidiaries, of ACCC and of the following guarantors: ACI, ACCOPHI, 1508756, DRI, MDI, 6169678, 3834328, ACNSI, Terra Nova, Jonquière Pulp, The International Bridge, Scramble, 3224112 and Saguenay Products, all of which are subsidiaries of ACCC.

168. The Term Loan Facility is also secured by a first ranking charge on substantially all of the movable property (including receivables, inventory and equipment) of DCorp,

ACSC, ACC, Augusta, ACAC, ARNC, Bridgewater and Cheshire Recycling Ltd. (U.K.), a pledge of the shares or other equity interests in the DCorp Group entities, and a mortgage over the real estate property related to the Alabama River Newsprint Mill.

169. The Term Loan Facility was accelerated as a result of certain events of default and in any event came to maturity March 30, 2009. The Term Loan Facility was not repaid however, as Abitibi's proposed CBCA plan of arrangement was to address the payment thereof and, as a result of the CBCA interim order granted by this Court, the lenders' ability to initiate recovery proceedings was stayed.

170. As of March 31, 2009, an amount of about US$349.8 million was owed by ACCC under the Term Loan.

4.2.1.2. Letter of Credit Facilities

171. On March 21, 2007, a Letter of Credit Facility (the "**CIBC LC Facility**") was entered into by and among ACI and ACCC, as borrowers (the "**Borrowers**"), and the Canadian Imperial Bank of Commerce ("**CIBC**"), as administrative agent and the lenders parties thereto from time to time.

172. Under the CIBC LC Facility, CIBC has agreed to make available to the Borrowers a letter of credit facility guaranteed by Export Development Canada in an aggregate amount of CAD$20 million.

173. The Borrowers uses the CIBC LC Facility to guarantee payment or other performance obligations incurred by them and their subsidiaries in the ordinary course of business.

174. An amount of about US$13.5 million is currently used by the Borrowers under the CIBC LC Facility.

175. On April 1, 2008, a Letter of Credit Facility (the "**Second CIBC LC Facility**") was entered into between ACCC, as borrower, and CIBC, as administrative agent and as initial lender.

176. Under the Second CIBC LC Facility, CIBC has agreed to make available to ACCC a letter of credit facility in an aggregate amount of CAD$100 million.

177. ACCC uses the Second CIBC LC Facility to guarantee payment or other performance obligations incurred by ACCC and its subsidiaries in the ordinary course of business.

178. An amount of about US$73 million is currently used by ACCC under the Second CIBC LC Facility. The Second CIBC LC Facility is secured by cash deposits in an aggregate amount equal to the face amount of the letters of credit issued under and pursuant to the Second CIBC LC Facility.

4.2.1.3. ACI Group Public Debt Obligations

(i) Unsecured Notes

179. As of March 31, 2009, the outstanding unsecured public debt obligations of the ACI Group (the "**ACI Group Notes**") were the following, additional information relating thereto being summarized in a schedule communicated as **Exhibit R-15**:

Issuer	ACI Group Notes	Capital Outstanding (US$ million)	Accrued Interest (US$ million)
ACFLP	US$250M 7.875% Notes due August 1, 2009	8	0.1
ACI	US$500M 8.55% Notes due August 1, 2010	395	5.6
ACCC	US$293M 15.5% Exchange Notes due July 15, 2010	293	21.5
ACCC	US$200M 7.75% Notes due June 15, 2011	200	4.5
ACCC	US$200M Floating-Rate Notes due June 15, 2011	200	3.4
ACCC	US$350M 6.00% Notes due June 20, 2013	350	5.8
ACCC	US$450M 8.375% Notes due April 1, 2015	450	18.8
ACI	US$100M 7.40% Debentures due April 1, 2018	100	3.7
ACI	US$250M 7.50% Debentures due April 1, 2028	250	9.4
ACI	US$250M 8.50% Debentures due August 1, 2029	250	3.5
ACI	US$450M 8.85% Debentures due April 1, 2030	450	6.6
Total		2,946	82.9

180. An interest payment due on March 15, 2009 in respect of the Floating-Rate Notes due June 15, 2011 was not made as scheduled, as Abitibi's proposed CBCA plan of arrangement was to address the payment thereof.

(ii) Secured Notes

181. ACCC is also the issuer of US$413 million 13.75% Senior Secured Notes due April 1, 2011 (the "**Senior Notes**"), of which US$413 million was owing as of March 31, 2009, with the accrued interest thereon of about US$18 million.

182. The security granted in respect of the US$ Senior Notes of ACCC consists primarily of:

(a) mortgages on 11 pulp and paper mills located in Canada and the United Kingdom;

(b) a pledge of ACCC's 60% equity interest in MPCo;

(c) pledges of ACCC's 75% equity interests in ACH and Abitibi-Consolidated Hydro Inc.; and

(d) all of the equipment and intellectual property of ACCC, ACI and the other guarantors (other than DCorp and its restricted subsidiaries).

4.2.1.4. ACI Group Receivables Securitization Program (PCA)

183. ACI and ACSC are parties to a two-level receivables securitization program (the "**Securitization Program**") with respect to receivables of ACI and ACSC (the "**Receivables**"), the obligors of which have a billing address in Canada, the United States or any other country outside of the United Kingdom, Belgium, Ireland and Germany.

184. The purpose of the Securitization Program is to reduce ACI Group's and DCorp Group's working capital requirements and provide liquidity by enabling them to realize the cash equivalent value of certain of their accounts receivable prior to the usual collection period. The majority of the funds deposited into the Deposit Accounts (as defined below) are revenues generated by the ACI Group's sale of Products. The Deposit Accounts receive approximately 85% of the incoming cash receipts from the ACI Group's operations.

185. The Securitization Program is set up through (i) an Amended and Restated Purchase and Contribution Agreement dated January 31, 2008 (as amended, restated, supplemented and/or modified from time to time, the "**PCA**") between ACI and ACSC, as sellers, and Abitibi-Consolidated U.S. Funding Corp. ("**ACUSFC**"), as purchaser and (ii) an Amended and Restated Receivables Purchase Agreement also dated January 31, 2008 (as amended, restated, supplemented and/or modified from time to time, the "**RPA**") between ACUSFC, as seller, Eureka Securitisation, PLC, as investor (the "**Investor**"), Citibank, N.A. (the "**Bank**"), as a bank, Citibank, N.A., London Branch, as the agent (the "**Securitization Agent**"), ACI and ACSC, as originators, ACSC, as servicer, and ACI, as sub-servicer, and (iii) several Transaction Documents (as defined below).

(i) The Amended and Restated Purchase and Contribution Agreement

186. The PCA is communicated as **Exhibit R-16.**

187. The PCA is an agreement between ACI and ACSC as sellers and ACUSFC as purchaser. The purpose of the PCA is to govern the sale by ACI and the sale, contribution or transfer by ACSC (the Sellers thereunder) on a daily basis of the Receivables to ACUSFC (the Purchaser thereunder). The purchase of Receivables includes all Related Security (as defined in the PCA) with respect thereto.

188. The sale and contribution transactions are structured as true sales of the Receivables as opposed to loans from the purchaser to the sellers as is sometimes the case in other securitization programs. Pursuant to the PCA, ACI and ACSC are required to transfer title to all Receivables and Related Security to ACUSFC free and clear of any lien, claim, charge, encumbrance or other interest of any kind, other than of ACUSFC.

189. The purchase price paid by ACUSFC for the Receivables and Related Security(as defined in the PCA) is established in the PCA. In addition to the transfer of the Receivables and Related Security, each of ACI and ACSC also transfers to ACUSFC its interest in, and control of, the Deposit Accounts. The purchase price is due and payable on or within five business days after the date the Receivables are purchased.

The purchase price is payable in cash in the case of ACI but may also be paid by way of a contribution by ACSC to ACUSFC's capital or an increase in the Deferred Purchase Price (as defined in the PCA in the case of ACSC). The deferred purchase has been set at a maximum of USD$35 million and is evidenced by a subordinated promissory note.

190. After having purchased the Receivables, ACUSFC sells undivided fractional ownership interests (the "**Receivable Interests**") in such Receivables and its interest in, and control of, the Deposit accounts to the Investor or the banks under the RPA. Pursuant to the RPA, ACUSFC is required to transfer title to Receivable Interest in such Receivables and Related Security to the Investor or the Banks free and clear of any lien, claim, charge, encumbrance or other interest of any kind, other than of the Investor or the Bank.

191. In the ordinary course of business, ACUSFC funds its purchase of the Receivables and Related Security from ACI and ACSC by using (i) the proceeds of the sale of the Receivables and Related Security to the Investor or the Banks (as defined in the RPA) and (ii) collections on Receivables previously purchased by the Investor or the Banks (to the extent not needed to pay Yield and Fees (as both terms are defined in the RPA) and other amounts owing under the RPA).

(ii) Amended and Restated Receivables Purchase Agreement (RPA)

192. The RPA is communicated as **Exhibit R-17.**

193. The RPA contemplates that multiple banks may act as purchasers of the Receivables Interests. However, the Bank is currently the only purchaser of the Receivables Interests.

194. Citibank has committed to acquire Receivable Interests in an aggregate principal amount not to exceed $210 million. The amount available under the Securitization Program at any time is limited by the outstanding balance of the eligible Receivables, the size of the Total Reserves (as defined in the RPA) and other factors. Yield and Fees (as both terms are defined in the RPA) are charged to ACUSFC periodically by the Securitization Agent.

195. The RPA designates ACSC as Servicer and ACI as Sub-Servicer. ACSC is entitled to a service fee from the Bank for its services.

196. Pursuant to the RPA, ACUSFC grants to the Securitization Agent a security interest for its benefit and for the ratable benefit of the Investor and the Banks in all of ACUSFC's right, title and interest (collectively, the "**Collateral**") in and to, among other things, (a) the PCA, including (i) all rights of ACUSFC to receive moneys due or to become due under the PCA, (ii) all security interests and property subject thereto from time to time purporting to secure payment of monies due or to become due under the PCA, (iii) all rights of ACUSFC to receive proceeds of insurance (including the right to receive proceeds under the Accounts Receivable Policy (Shipments) General Terms and Conditions issued by Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch (the "**Insurance Proceeds**"), indemnity, warranty or guaranty with respect to the

PCA, (iv) claims of ACUSFC for damages arising out of or for breach of or default under the PCA, and (v) the right of ACUSFC to compel performance and otherwise exercise all remedies thereunder; (b) all Receivables, the Related Security with respect thereto and the Collections (as defined in the RPA); (c) the lockboxes and deposit accounts to which collections of the Receivables are remitted (the "**Deposit Accounts**") and any funds on deposit in the foregoing; and (d) proceeds of any and all of the foregoing. The Deposit Accounts are all subject to control agreements in favor of the Securitization Agent. Upon an event of termination, the Securitization Agent may realize upon the Collateral to satisfy the obligations of ACUSFC under the RPA.

(iii) Other Securitization Transaction Documents

197. The other instruments and agreements related to the securitization facility (the "**Transaction Documents**") are communicated, *en liasse*, as **Exhibit R-18** and include notably, the following:

(a) Undertaking Agreement (Servicer) dated as of October 27, 2005 by ACI in favour of Eureka, Citibank and the other Banks (as defined in the RPA) that are party to the RPA, as amended;

(b) Undertaking Agreement (Originator) dated as of October 27, 2005 by ACI in favour of ACUSFC, as amended;

(c) Deposit Account Control Agreement dated as of January 31, 2008 among ACUSFC, ACI, ACSC, Citibank and the Securitization Agent;

(d) Blocked Accounts Agreement dated as of October 27, 2005 among ACI, ACSC, the Securitization Agent, Royal Bank of Canada and ACUSFC;

(e) Agreement Re: Pledged Deposit Accounts dated as of October 27, 2005 among ACSC, ACI, ACUSFC, the Securitization Agent and LaSalle Bank National Association;

(f) Second Amended and Restated Four Party Agreement for Sold Accounts (General) dated as of January 31, 2008 among Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch, ACI, ACUSFC, the Securitization Agent and Citibank;

(g) Intercompany Agreement dated as of December 20, 2007 between ACI and ACSC; and

(h) the Accounts Receivable Policy (Shipments) General Terms and Conditions, plus the Coverage Certificate effective September 1, 2008 (together with all schedules and endorsements thereto) issued by Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch to ACI.

(iv) Status of the Securitization Program

198. On April 1, 2009, ACI, ACSC, ACUSFC, Eureka, the Bank and the Securitization Agent entered into Waiver and Amendment No. 4 to the RPA. As a result, Eureka, the Bank and the Securitization Agent waived certain events of termination under the RPA, extended the Securitization Program to September 1, 2009 and added certain covenants and an event of termination.

199. The filing of the U.S. Proceedings, of these proceedings and of certain other insolvency related events would constitute Events of Termination under the Securitization Program in the absence of the waiver agreement referred to in the next paragraph. In general terms, the outstanding pool of sold Receivables (and undistributed proceeds) would then be identified as of the day prior to the termination date. If the Securitization Program were to be terminated as a result of the occurrence of an Event of Termination, the cash flows from the collection of Receivables would no longer be permitted to be applied by ACUSFC to purchase additional Receivables from ACI and ACSC. Instead, available collections of the sold Receivables would be distributed to the Bank and the Investor until all amounts then owing to the Investor and the Banks under the Securitization Program have been repaid. After all such amounts have been paid in full, additional collections would remain the property of ACUSFC and would then be available to be used or distributed by ACUSFC in the manner determined by its management and board of directors, consistent with its separate corporate existence.

200. In anticipation of the filing of the U.S. Proceedings and of these proceedings, an agreement entitled "*Omnibus Amendment No. 5 to Amended and Restated Receivables Purchase Agreement and Amendment No. 3 to Amended and Restated Purchase and Contribution Agreement and Waiver Agreement* " (the "**Waiver Agreement**") was negotiated and executed between the parties to the Securitization Program so that the occurrence of such proceedings or of other insolvency related events will not constitute an Event of Termination, Facility Termination Date or Commitment Termination Date and the Securitization Program can continue.

201. The Waiver Agreement is communicated as **Exhibit R-19**.

202. The Waiver Agreement provides a window of opportunity of approximately five weeks for ACI to negotiate alternative financing arrangements to replace the existing securitization arrangements. ACI intends has already commenced negotiations with certain alternative providers and intends to pursue such discussions with the assistance of the Monitor and its financial advisor BMO Capital Markets (as defined below). Any replacement facility will be subject to court approval.

203. The Monitor has reviewed and supports the continuation of the Securitization Program on the terms proposed.

4.2.2. BI Group Indebtedness

204. In addition to trade debts, the principal debt obligations of the BI Group currently outstanding consist of credit facilities and public debt obligations. The BI Group's indebtedness as of March 31, 2009 included the following:

U.S. Credit Agreement	US$203.8 million
Canadian Credit Agreement	$61.1 million
Public debt obligations	US$2,083 million
Trade and other creditors	$40 million
Pension/OPEB contingent liabilities	$925 million
Accrued vacation time	$14.5 million

4.2.2.2. BI Group Credit Facilities

205. On May 31, 2006, BI entered into the following credit facilities:

(a) a five-year credit agreement among BI, as borrower, the lenders from time-to-time party thereto, and Wachovia as administrative agent (the "**U.S. Credit Agreement**"); and

(b) a 364-day credit agreement among BCFPI, as borrower, BI, as a guarantor, the lenders from time-to-time party thereto, and The Bank of Nova Scotia, as administrative agent (the "**Canadian Credit Agreement**").

206. The U.S. Credit Agreement has been amended on July 20, 2007, October 31, 2007, February 25, 2008, March 31, 2008, April 30, 2008, June 30, 2008, August 7, 2008, November 12, 2008, February 27, 2009 and March 23, 2009.

207. The Canadian Credit Agreement has been amended on July 20, 2007, October 31, 2007, February 25, 2008, March 31, 2008, April 30, 2008, May 28, 2008, June 6, 2008, June 30, 2008, August 7, 2008, November 12, 2008, and February 27, 2009.

208. On May 15, 2008, BNS LLC, Bowater Alabama LLC, and Bowater Newsprint South Operations LLC (collectively, and together with BI, the "**U.S. Borrowers**") were joined to the U.S. Credit Agreement as borrowers and to the Canadian Credit Agreement as guarantors.

209. The U.S. Credit Agreement provides for a $381,577,000 revolving credit facility with a scheduled maturity date of May 25, 2011.

210. The U.S. Credit Agreement is guaranteed by ABH and certain of BI's direct and indirect U.S. subsidiaries, and is secured by, among other things, (i) liens on the inventory, accounts receivable and deposit accounts of the U.S. Borrowers and the guarantors, (ii) pledges of 65% of the stock of certain of BI's foreign subsidiaries, (iii) pledges of the stock of certain of BI's U.S. subsidiaries that do not own mills or converting facilities, and (iv) real property fixtures and equipment relating to the Coosa Pines, Alabama and Grenada, Mississippi mills.

211. Availability under the U.S. Credit Agreement is tied to a percentage of certain accounts receivable (other than intercompany accounts receivable) and inventory of BI, BNS LLC, and certain of their U.S. subsidiaries, and is reduced by the amount of outstanding letters of credit.

212. The Canadian Credit Agreement provides for a $129,734,000 revolving and fully advanced term credit facility with a maturity date of June 5, 2009.

213. The Canadian Credit Agreement is guaranteed by the U.S. Borrowers and certain subsidiaries of BCFPI and is secured by, among other things, (i) liens on the inventory, claims, accounts receivable and deposit accounts of BCFPI and its subsidiaries that are guarantors, (ii) liens on the real property and fixtures relating to the Coosa Pines, Alabama and Grenada, Mississippi paper mills, (iii) liens on the immovable properties of BCFPI located in Gatineau (Québec), Dolbeau (Québec) and Thunder Bay (Ontario) and on all equipment and other property relating to such immovable properties, (iv) a floating charge (equitable mortgage) on all other immovable properties of BCFPI, and (v) a pledge of the shares of BCFPI's South Korean subsidiary (which operates BCFPI's Mokpo mill). The liens outlined in (iii), (iv) and (v) above secure obligations under the Canadian Credit Agreement up to an aggregate maximum amount of $67 million.

214. Availability under the Canadian Credit Agreement is tied to a percentage of the value of certain accounts receivable (other than intercompany accounts receivable) and inventory of BCFPI and its subsidiaries and is reduced by the amount of outstanding letters of credit.

215. As of March 31, 2009, the outstanding balance excluding accrued interest of the U.S. Credit Agreement is US$203,751,000 and the outstanding balance excluding accrued interest of the Canadian Credit Agreement is $61,111,000.

4.2.2.3. BI Group Public Debt Obligations

216. As of March 31, 2009, the public debt obligations outstanding of BI, BCFC or BCFPI (the "**BI Notes**") were the following, additional information relating thereto being summarized in a schedule communicated as **Exhibit R-20**:

Issuer	Bowater Notes	Capital Outstanding (US$ million)	Accrued Interest (US$ million)
BI	US$300M 9% Debentures due August 1, 2009	248	3.7
BI	US$250M Floating Rate Notes due March 15, 2010	234	0.5
BCFPI	US$102M 10.50% Notes due June 15, 2010	20	0.6
BCFPI	US$98M 10.63% Notes due June 15, 2010	3	0.1
BCFPI	US$22M 10.26% Notes due January 15, 2011	7	0.1
BCFPI	US$70M 10.60% Notes due January 15, 2011	70	1.5
BCFC	US$600M 7.95% Notes due November 15, 2011	600	21.8
BI	US$125M 9.50% Debentures due October 15, 2012	125	5.4
BI	US$400M 6.50% Notes due June 15, 2013	400	7.6
BCFPI	US$125M 10.85% Debentures due November 30, 2014	125	4.5
BI	US$200M 9.375% Notes due December 15, 2021	200	5.5

Issuer	Bowater Notes	Capital Outstanding (US$ million)	Accrued Interest (US$ million)
Total		2,032	51.3

4.2.3. *Trade suppliers*

4.2.3.1. **The ACI Group**

217. As of the date hereof, an amount in excess of $141 million is owing by the ACI Group to trade creditors.

4.2.3.2. **The BI Group**

218. As of date hereof, an amount in excess of $40 million is owing by the BI Group to trade creditors.

4.2.4. *Pension Plan Liabilities*

4.2.4.1. **The ACI Group Pension Liabilities**

(i) Canadian Pension Liabilities

219. The ACI Group maintains 20 registered pension plans (the "**Canadian Pension Plans**") for its Canadian employees.

220. Some of the Canadian Pension Plans provide defined benefits, some provide defined contributions and some operate on a hybrid (*i.e.*, defined benefit and defined contribution) basis. All the Canadian Pension Plans are registered with the Canada Revenue Agency and the applicable provincial pension regulator. The Canadian Pension Plans are funded by contributions from the ACI Group and, in most cases, also by contributions from plan members.

221. The ACI Group's aggregate contributions to the defined benefit Canadian Pension Plans in Canada during the fiscal year ended December 31, 2008 totaled $148,248,065.

222. As of December 31, 2008, the aggregate solvency deficit (*i.e.*, essentially assuming their total termination) of the defined benefit Canadian Pension Plans (including the hybrid plans, as applicable) was estimated at approximately $964 million. Under the pension legislation governing the Canadian Pension Plans, contributions to amortize such solvency deficit over a prescribed period must be made by the ACI Group in addition to the current service contributions for benefits accruing during the year of contribution.

223. Based on the most recent estimates available, the aggregate contributions of the ACI Group to the defined benefit Canadian Pension Plans for the fiscal year ended December 31, 2009 are expected to be in the amount of about $131 million. This amount includes about $102.4 million in actual and estimated special payments.

224. Contributions under the Canadian Pension Plans are made on a monthly basis by the ACI Group.

(ii) UK Pension Liabilities

225. The ACI Group maintains one defined benefit pension plan (the "**UK Pension Plan**") for its United Kingdom employees. The UK Pension Plan is funded by contributions from the ACI Group and also by contributions from plan members. The ACI Group's aggregate contributions to the UK Pension Plan in the United Kingdom during the fiscal year ended December 31, 2008 totaled $3,927,790.

226. As of December 31, 2008, the aggregate deficit for financial accounting purposes of the UK Pension Plan was estimated at approximately $26,591,000. Contributions to amortize the funding deficit (albeit calculated on a different basis from financial accounting) over a prescribed period must be made by the ACI Group in addition to the current service contributions for benefits accruing during the year of contribution. On a plan termination basis, the deficit would be different.

227. Based on the most recent estimates available, the aggregate contributions of the ACI Group to the UK Pension Plan for the fiscal year ended December 31, 2009 are expected to be in the amount of $3,571,000. Contributions under the UK Pension Plan are made on a regular basis by the ACI Group.

(iii) Post-Retirement Liabilities

228. The ACI Group maintains supplemental pension plans (the "**Canadian SERPs**") for its Canadian salaried employees and post-retirement benefits for its employees (the "**Canadian OPEBs**"). A small proportion of SERPs benefits are funded by contributions from the ACI Group, others are secured by a letter of credit and others are not secured at all. The ACI Group's aggregate contributions to the Canadian SERPs and Canadian OPEBs during the fiscal year ended December 31, 2008 totaled $5,781,000 and $9,207,739 respectively.

229. As of December 31, 2008, the aggregate deficit for financial accounting purposes of the Canadian SERPs and the Canadian OPEBs were estimated at approximately $77,971,000 and $105,662,000 respectively.

230. Based on the most recent estimates available, the aggregate contributions of the ACI Group to the Canadian SERPs and the Canadian OPEBs for the fiscal year ended December 31, 2009 are expected to be in the amounts of $11,536,000 and $9,320,000 respectively.

231. The Abitibi Petitioners intend to suspend the remittance of special payments and Canadian SERPs payments in respect of past service for all current and former employees to the defined benefits Canadian Pension Plans during the CCAA stay period but will continue to make current service contributions to such plans, and will also make contributions to all defined contribution Canadian Pension Plans and Canadian OPEBs.

4.2.4.2. The BI Group Pension Liabilities

(i) Canadian Pension Liabilities

232. The BI Group maintains 13 registered pension plans (the "**BI Canadian Pension Plans**") for its Canadian employees.

233. Some of the Canadian Pension Plans provide defined benefits, some provide defined contributions and some operate on a hybrid (*i.e.*, defined benefit and defined contribution) basis. All the Canadian Pension Plans are registered with the Canada Revenue Agency and the applicable provincial pension regulator. The Canadian Pension Plans are funded by contributions from the BI Group and, in most cases, also by contributions from plan members.

234. The BI Group's aggregate contributions to the defined benefit Canadian Pension Plans in Canada during the fiscal year ended December 31, 2008 totaled $66,431,915.

235. As of December 31, 2008, the aggregate solvency deficit (*i.e.*, essentially assuming their total termination) of the defined benefit Canadian Pension Plans (including the hybrid plans, as applicable) was estimated at approximately $419 million. Under the pension legislation governing the Canadian Pension Plans, contributions to amortize such solvency deficit over a prescribed period must be made by the BI Group in addition to the current service contributions for benefits accruing during the year of contribution.

236. Based on the most recent estimates available, the aggregate contributions of the BI Group to the defined benefit Canadian Pension Plans for the fiscal year ended December 31, 2009 are expected to be in the amount of about $72 million. This amount includes about $56.9 million in actual and estimated special payments.

237. Contributions under the Canadian Pension Plans are made on a monthly basis by the BI Group.

(ii) US Pension Liabilities

238. The BI Group maintains two qualified defined benefit pension plans (the "**BI US Pension Plans**") and one qualified defined contribution plan for its United States employees. In addition, the BI Group has a minority participation in a qualified defined benefit pension plan and a qualified defined contribution plan sponsored by Ponderay Newsprint Company.

239. All the BI US Pension Plans are qualified under the Internal Revenue Code with the Internal Revenue Services and must comply with the *Employee Retirement Income Security Act* ("**ERISA**"). The BI US Pension Plans are funded by contributions from the BI Group.

240. The BI Group's aggregate contributions to the BI US Pension Plans in the United States during the fiscal year ended December 31, 2008 totaled $15,340,262.

241. As of December 31, 2008, the aggregate deficit for financial accounting purposes of the BI US Pension Plans was estimated at approximately US$157,632,000. Under the Internal Revenue Code, contributions to amortize the funding deficit (albeit calculated on a different basis from financial accounting) over a prescribed period must be made by the BI Group in addition to the current service contributions for benefits accruing during the year of contribution. It is estimated that the funding deficit would be greater on a plan termination basis.

242. Based on the most recent estimates available, the aggregate contributions of the BI Group to the BI US Pension Plans for the fiscal year ended December 31, 2009 are expected to be in the amount of $10,790,000.

243. Contributions under the BI US Pension Plans are made on a quarterly basis by the BI Group.

(iii) Post-Retirement Liabilities

244. The BI Group maintains supplemental pension plans ("**BI SERP**") for its Canadian and US salaried employees and post-retirement benefits for its employees (the "**BI OPEBs**"). Some SERP benefits are secured by a letter of credit and others are not secured at all. The BI Group's aggregate contributions to the BI SERPs and BI OPEBs during the fiscal year ended December 31, 2008 totaled $ 25,850,000 and $19,004,000, respectively.

245. As of December 31, 2008, the aggregate deficit for financial accounting purposes of the BI SERPs and BI OPEBs were estimated at approximately $74,420,000 and $273,975,000 respectively.

246. Based on the most recent estimates available, the aggregate contributions of the BI Group to the BI SERPs and the BI OPEBs for the fiscal year ended December 31, 2009 are expected to be in the amounts of $9,082,000 $and 21,726,000 respectively.

247. The Bowater Petitioners intend to suspend the remittance of special payments in respect of past service for all current and former employees to the defined benefits BI Canadian Pension Plans during the CCAA stay period but will continue to make current service contributions to such plans, and will also make contributions to all defined contribution BI Canadian Pension Plans and BI OPEBs.

4.2.5. Other Employee Obligations

248. The severance and salary continuance obligations of the Petitioners (including obligations of ACCC resulting from the closure of the Grand Falls newsprint mill which are estimated to be in excess of $28 million) are estimated to be in the amount of about $46.5 million. Given their very tight cash flow projections, the Petitioners propose to suspend all severance payments for the time being but expect to review the issue and seek direction from the Court when adequate DIP financing has become available to all Petitioners.

249. The ACI Group and the BI Group provide vacation time to their employees as a paid time-off benefit. The duration of vacation benefits varies based on the employee's

location, position, amount of time employed and may be governed by collective bargaining agreements, where applicable. The estimated amount of accrued, unused vacation time at the end of 2008 was approximately the following: ACI Group: $61.9 million and BI Group (Canadian entities): $14.5 million.

5. CAUSE OF FINANCIAL DIFFICULTIES

250. In general, the ABH Group's products are globally traded commodities, and the markets in which they compete are highly competitive. Pricing and the level of shipments of products are influenced by the balance between supply and demand, global economic conditions, changes in consumption and capacity, the level of customer and producer inventories and fluctuations in currency exchange rates.

251. For the last several years, the ABH Group and its predecessors have faced a significant deterioration in business conditions in all of their primary business segments.

252. The financial performance of the ABH Group has suffered as a result of a combination of factors, including fluctuations in the strength of the Canadian dollar, rising energy and fiber costs, increasing pension expenses, a decline in demand for newsprint and certain specialty papers and a decline in the U.S. housing market.

253. Also, an advertising recession is in full swing and it is impacting both printed and electronic media. Other factors more closely related to the paper markets, such as consumer destocking, are also pushing down demand for printing and writing papers.

254. Trends in advertising, electronic data transmission and storage, and the Internet could continue to adversely affect traditional print media, including the ABH Group's products and those of their customers.

6. RESTRUCTURING EFFORTS

6.1. Strategic Review of Operations

255. Promptly following the Combination, the ABH Group began a comprehensive strategic review of operations to reduce costs and improve profitability.

256. On November 29, 2007, given its focus on debt reduction, the ABH Group also announced its decision to suspend dividends to shareholders.

257. Since the Combination, the ABH Group has undertaken numerous cost-saving measures in efforts designed to address the challenges imposed by the above-described market conditions.

258. The first phase of the review was concluded on November 29, 2007, when the ABH Group approved an action to begin reducing newsprint and specialty papers production capacity by almost 1 million metric tons ("**MT**") per year by the end of the first quarter of 2008.

259. On December 4, 2008, the ABH Group also announced additional measures aimed at creating a more flexible and responsive operating platform, addressing ongoing volatility in exchange rates, energy and fiber pricing, as well as structural challenges in the North American newsprint industry. Pursuant to these measures, the ABH Group announced the removal of an additional 830,000 MT of newsprint, 110,000 MT of specialty paper and 70,000 MT of coated paper capacity through:

(a) the permanent closure by the end of the first quarter of 2009 of the Grand Falls, Newfoundland and Labrador newsprint mill, representing 205,000 MT;

(b) the permanent closure by the end of 2008 of the Covington, Tennessee paper converting facility, representing 70,000 MT of coated grades;

(c) the immediate idling, until further notice, of the Alabama River newsprint mill, in Alabama, representing 265,000 MT;

(d) the immediate idling, until further notice, of two paper machines (#1 and #2) in Calhoun, Tennessee, representing 230,000 MT of capacity, including 120,000 MT of newsprint and 110,000 MT of specialty grades; and

(e) on a revolving basis, about 20,000 MT of monthly newsprint downtime at other facilities across the organization until market conditions improve.

260. As a result of the Combination, on December 31, 2008, the ABH Group had achieved an annual run rate of approximately $375 million in captured synergies from improved efficiencies in such areas as production, selling and administrative expenses, procurement and logistics costs.

6.2. April 2008 Refinancing

261. On April 1, 2008, ABH and the ACI Group successfully completed a series of refinancing transactions, which were designed to address the debt maturities and general liquidity needs principally at the ACI Group level. The transactions included:

(a) the issuance by ACCC of US$413 million of Secured Notes;

(b) the Term Loan in the original amount of US$400 million;

(c) a private exchange offer whereby ACCC offered a combination of the July 2010 Notes and cash in exchange for an aggregate of US$455 million of then outstanding unsecured notes;

(d) a private sale of US$350 million of 8% Convertible debentures of ABH due April 15, 2013 ("**Convertible Notes**") to Fairfax Financial Holdings Limited ("**Fairfax**") and certain of its designated subsidiaries. Two representatives of Fairfax have seats on ABH's Board of Directors; and

(e) the repayment and cancellation of ACI's then existing credit facility was repaid and cancelled.

6.3. Additional Strategic Alternatives

262. On April 15, 2008, ACCC repaid US$50 million of the Term Loan with a portion of the proceeds from the sale of certain assets and repaid another US$3 million with a portion of the proceeds from other debt issuances, which reduced the outstanding principal amount of the Term Loan to US$347 million.

263. However, faced with deteriorating business conditions and a highly leveraged balance sheet, ABH was forced to consider a broad range of additional strategic alternatives to address the capital structure of its group and enhance liquidity.

264. The management of ABH conducted a comprehensive strategic review to reach these goals, with the guidance and oversight of the Board of Directors and with the benefit of the advice of its financial advisors. Strategic initiatives considered, some of which were announced, included non-core asset sales, cost reduction initiatives and refinancing.

6.4. ACH Sale

265. In December 2008, ABH accepted a proposal for the sale of ACCC's 75% interest in ACH to a major unaffiliated industrial energy producer. The resulting gross proceeds (excluding expenses) would be $197.5 million. As part of the transaction, the buyer would also assume $250 million of ACH debt. The non-binding proposal is subject to due diligence, among other terms and conditions. While it continues to be expected that a definitive agreement will be reached in the second quarter of 2009, no assurances can be provided as to when or if a definitive agreement will be executed.

6.5. BI Exchange Offers

266. As mentioned previously, on February 9, 2009, ABH commenced private offers (the "**BI Exchange Offers**") to exchange US$1.8 billion of outstanding series of unsecured notes (the "**Bowater Notes**") issued by BI (or by a subsidiary of BI), in a private placement, for new notes (the "**Bowater Exchange Notes**"). The Bowater Exchange Notes were to be issued by Bowater Finance II LLC ("**Bowater Finance**"), an indirect wholly-owned subsidiary of ABH, and would have consisted of: (a) 10.00% Second Lien Notes due January 31, 2012, and (b) 10.50% Third Lien Notes due March 31, 2012.

267. As part of the BI Exchange Offers, ABH solicited consents ("**Consent Solicitation**") to amend the indentures governing the Existing Notes to eliminate the covenants in such indentures relating to liens, secured debt and sale/leaseback transactions.

268. The BI Exchange Offers and Consent Solicitation initially expired on March 20, 2009 and was extended four times, first until March 20, 2009 a second time until March 25, 2009 then until March 27, 2009 and finally until March 31, 2009.

269. Concurrently with the BI Exchange Offers and the Consent Solicitation, Bowater Finance offered to eligible holders of Bowater Notes, in a "**Concurrent Notes Offering**", new 15.50% First Lien Notes due November 15, 2011.

270. The BI Exchange Offers, the Consent Solicitation and Concurrent Notes Offering were not completed as an insufficient number of notes were tendered and expired on April 1, 2009 following several extensions. ABH has since then evaluated other restructuring alternatives and held discussions with BI Group debtholders and other stakeholders to restructure the BI Group's debt.

6.6. MPCo Sale

271. On March 13, 2009, ABH announced that ACCC and an unaffiliated third party had signed a letter of intent in connection with the sale of ACCC's 60% interest in MPCo for gross proceeds of $615 million ("**MPCo Sale**"). ACCC is in continuing discussions and negotiations in connection with the MPCo Sale.

6.7. The ACI Group's CBCA Arrangement

272. As mentioned previously, on March 13, 2009, this Court granted an interim order under sections 192 and 248 of the CBCA in favor of ACI and certain affiliated applicants in connection with a plan of arrangement proposed by them.

273. The plan of arrangement included a series of complex and interrelated steps leading to a de-leveraging and recapitalization of the ACI Group.

274. While the implementation of the arrangement as originally proposed was conditioned upon the successful completion of the BI Exchange Offers, in the interest of the ACI Group and its stakeholders ABH and the ACI Group decided to continue the ACI Group recapitalization and to amend such process as necessary to take into account the developments on the BI Group refinancing.

275. ABH has now determined that it will be unable to pursue an alternative restructuring of the BI Group without significant additional discussion and negotiation with its debtholders. As a result, it is not possible to establish the time frame within which the ACI Group's arrangement could reasonably be completed, nor the amended terms on which it could be proposed.

6.8. Preparing for Alternative Plans

276. Since January 16, 2009, the Board of Directors of ABH and an *Ad Hoc* Finance Committee thereof have met frequently and have consulted with management and financial and legal advisors in order to consider its recapitalization attempts and related matters, and more recently, to consider the necessity of initiating these proceedings and the U.S. Proceedings.

277. On April 15, 2009, based on the advice and counsel of its financial advisor and management, and having considered such other factors as it has deemed necessary, including the terms and upcoming maturities of the debt obligations of ABH and its subsidiaries, the general liquidity needs of ABH and its subsidiaries as well as the current state of ABH's business and the credit and capital markets, the Board of Directors of ABH determined that it is in the best interests of ABH and its stakeholders that these proceedings and the U.S. Proceedings be filed.

278. The Boards of Directors or shareholders of each of the Petitioners have also approved the filing of these proceedings.

7. OVERVIEW OF THE RESTRUCTURING PLAN

279. The Petitioners are of the view that the overall business of the ABH Group can be viable and, in fact, will be profitable over time.

280. The ABH Group has previously attempted to improve its processes and restructure its business. In the face of an ongoing liquidity crisis, further restructuring may be undertaken by the ABH Group so as to discontinue business operations that cannot be made profitable and to streamline other business segments in order to increase profitability.

281. The ABH Group is a global leader in the forestry product industry with significant advantages and a strong customer base. However, it is recognized that in the absence of these proceedings, it will be extremely difficult, if not impossible, to maintain value for all stakeholders, given the current liquidity problems and the pressures being brought to bear upon the ABH Group and the Petitioners by creditors and other stakeholders.

282. The ABH Group, together with its advisors, continues to review restructuring alternatives. At this stage, a restructuring within a court supervised process is necessary to ensure fair and equitable treatment for all stakeholders. Once the business is stabilized, the Petitioners will be able to update this Court on their restructuring efforts and alternatives, including proposed plan(s) of arrangement.

283. The Petitioners need to obtain the Court's protection in Canada and approval of the BI DIP Facility (defined below) to ensure that they can continue to operate in the normal course of business and preserve the value of their assets as a going concern, for the benefit of all stakeholders.

284. Petitioners had, as previously explained, set the wheels in motion for a restructuring of their operations and their financial situation. Given the present situation, the Petitioners have had to conclude that the measures already undertaken or implemented are not sufficient.

285. Therefore, the Petitioners, together with their advisors, are in the process of preparing restructuring plan(s), which will allow the ABH Group to be profitable over time. Such plans will include the following previously announced measures: (a) disposing of assets; (b) reducing indebtedness; and (c) reducing financial costs.

286. Although the Petitioners are not yet in a position to provide the details of the plans of arrangement to be submitted to their creditors, they are confident that, together with their advisors, they will be able to do so for the benefit of all stakeholders and to that end, will work diligently.

287. It is the Petitioners' view that a successful restructuring of their operations will allow for a significant number of jobs to be preserved in Québec and in other jurisdictions in which they operate.

8. RELIEF SOUGHT

8.1. General

288. The Petitioners believe that it is wholly appropriate for the order requested herein to be made forthwith seeing as they find themselves in dire financial circumstances, are insolvent, are not able to meet their obligations, and require a stay of proceedings for the benefit of their creditors, customers and other stakeholders.

289. The Petitioners are deeply concerned that unless the requested order is made, certain suppliers, creditors and other stakeholders may take steps that will deplete the Petitioners' estate to the detriment of all stakeholders, and jeopardize the ongoing restructuring efforts.

290. The CCAA stay will also preserve the status quo and prevent creditors and others from taking any steps to try and better their positions in comparison to other creditors. All stakeholders generally, including creditors, will benefit from the requested order.

8.2. Appointment of Monitor

291. Ernst & Young Inc. ("**Ernst & Young**") has been assisting Abitibi with the pending CCAA application and is aware of the Petitioners' financial circumstances. Ernst & Young has agreed to act as monitor in the Petitioners' CCAA proceedings, subject to approval by this Court.

292. Ernst & Young, in its capacity as proposed monitor, will file in support of this Petition a report dealing with the following issues:

(a) ABH's background and financial structure;

(b) ABH's current liquidity crisis;

(c) ABH's decision to commence formal insolvency proceedings;

(d) an overview of ACI's and BCFPI's short term cash flow forecasts, ACI's proposed continued use of its accounts receivable Securitization Program and BCFPI's proposed Debtor-in-Possession ("**DIP**") financing;

(e) selected financial matters addressed in the proposed Initial Order;

(f) restructuring options; and

(g) conclusions and recommendations.

(the "**Ernst & Young Report**"), a copy of which is filed in support of the present Motion as **Exhibit R-21.**

293. The Petitioners believe that it is in the best interests of all stakeholders that this Court appoint Ernst & Young as the monitor of the Petitioners pursuant to the CCAA.

Ernst & Young has valuable insights into the Petitioners' business and will be in a position to perform the monitoring duties without further delay.

294. In addition to any powers or obligations provided for by the CCAA, the Petitioners hereby request that this Court grant the Monitor the powers, rights, obligations and protections detailed in the conclusions of this Motion.

8.3. Financing

295. The ABH Group and the Petitioners have devoted substantial energies and attention to pursuing refinancing options. Unfortunately, the consensual refinancing efforts failed to be completed. As of the date hereof, the Abitibi Petitioners' cash and cash equivalents of are sufficient to meet their immediate cash requirements provided that the Securitization Program is continued and that these funds are protected by the stay of proceedings being sought before the Court. The BI Petitioners anticipate that they will require approximately US$40 million in interim DIP Financing during the initial 30-day stay period.

296. Cash flow forecasts for ACI and for BCFPI for the five-week period from April 19, 2009 to May 22, 2009 are communicated as **Exhibit R-22.**

8.3.6. The BI Group

297. Prior to the filings of these proceedings and the U.S. Proceedings, the BI Group relied on the revolving credit facilities made available under the U.S. Credit Agreement and the Canadian Credit Agreement to maintain a consistent cash flow for its operations.

298. The U.S. Credit Agreement and the Canadian Credit Agreement were recently terminated. As a result, the BI Group no longer has access to financing and is unable to purchase inventory and discharge its obligations in the ordinary course.

299. In order to address financing needs during these proceedings, the ABH Group and its advisors have contacted several financial institutions in Canada and the United States so as to secure interim financing for the Canadian and U.S. Operations of the BI Group.

300. In anticipation of the U.S. Proceedings and of these CCAA proceedings, a *Senior Secured Superpriority Debtor-in-Possession Credit Agreement* amongst ABH, BI and BCFPI (the "**Borrowers**"), as Borrowers, Avenue Invetments L.P. and Fairfax ("**FFH**") as Initial Lenders, and such lenders as may be party to such Agreement from time to time (together the "**BI DIP Lenders**"), FFH as initial Administrative Agent and Collateral Agent, (the "**DIP Credit Agreement**") was negotiated in order to, amongst other things, finance the post-filing working capital requirements of the BI Group, general corporate purposes and permitted capital expenditures (the "**BI DIP Facility**"). A copy of the DIP Credit Agreement is communicated as **Exhibit R-23**.

The most significant features of the BI DIP Facility are as follows:

(a) ABH, BI and BCFPI are borrowers under the BI DIP Facility;

(a) a "US Term Advance" of US$166 million made available to ABH and BI in US dollars;

(b) a "Canadian Term Advance" of US$40 million made available to BCFPI in US dollars;

(c) "Incremental Advances" (the "**Incremental Facility**") in a maximum aggregate amount of US$360 million minus the outstanding principal amount of the U.S. Term Advance and the Canadian Term Advance;

(d) an "ABL Facility" in an amount of up to US$600 million less the outstanding principal amount of the BI DIP Facility;

(e) borrowings by ABH and BI under the BI DIP Facility are guaranteed by ABH, BI and each direct and indirect wholly-owned subsidiary of BI and BNSLLC organized under the laws of a state of the United States of America and which is a U.S. Debtor (the "**Guarantors**") and secured by a) second priority security interests in all assets securing the U.S. Credit Agreement and b) first priority security interests in all assets including, without limitation, all assets consisting of and located on the BI Group's properties in Catawba, South Carolina and Calhoun, Tennessee; and

(f) borrowings by BCFPI are guaranteed by ABH, BI, BNSLLC and the Guarantors and are secured by the assets of the Bowater Petitioners and Partnerships. The security interest extends, as applicable, to the Bowater Petitioners' and Partnerships' inventory, accounts, equipment, intangibles, deposit accounts, investment property and real estate. The amount borrowed by BCFPI under the DIP Facility will be secured by *inter alia*, a court-ordered charge on the Bowater Petitioners' property ranking in priority to all other liens, charges and security interests, but subordinate to the Bowater Administration Charge, a portion of the BI D&O Charge and the security interests securing the Canadian Credit Agreement.

301. ABH received other interim financing offers from various other potential lenders. However, after consideration and review by ABH, BI and BCFPI in consultation with their advisors, it was determined that it would be in the best interest of ABH, the BI Group and all stakeholders to accept the above mentioned DIP financing.

302. An amount of approximately $61.1 million is outstanding under the Canadian Credit Agreement. As of February 28, 2009 the value of the inventory and accounts receivable of BCFPI securing the Canadian Credit Agreement was about $179 million. This represents a surplus of collateral value of approximately $118 million. In addition, the Canadian Credit Agreement is secured by the assets mentioned in paragraph 213 hereof.

8.3.7. The ACI Group

303. Prior to the filings of these proceedings and the U.S. Proceedings, the ACI Group relied on the Securitization Program to maintain a consistent cash flow for its operations.

304. As mentioned previously, in anticipation of the U.S. Proceedings and of these proceedings, the Waiver Agreement was executed in respect of the Securitization Program.

305. ACI seeks an order authorizing ACI to continue the Securitization Program in accordance with the Waiver Agreement.

306. As the Waiver Agreement only provides for the continuation of the Securitization Program for a period of 45 days following the filing of these proceedings, the ACI Group and its advisors have contacted several financial institutions in Canada and the United States in order to secure the continuation of the Securitization Program or the implementation of a replacement facility.

307. The Abitibi Petitioners seek access to the funding proposed to be provided by the Securitization Program in order to assure available sources of working capital and financing to carry on the operation of their businesses. Specifically, continued performance of the Securitization Program will permit ACI to continue selling the Receivables to ACUSFC, allowing ACI to continue its prepetition practice of converting Receivables to cash as soon as possible to provide cash flow necessary for various business purposes of the ACI Group. The ACI Group's ability to maintain business relationships with their vendors, suppliers and customers, to pay their employees, to purchase and supply new inventory and otherwise finance their operations, is essential to the ACI Group's continued viability. In addition, the ACI Group's need for financing is immediate. In the absence of the proposed financing, serious and irreparable harm to the ACI Group's business operations and its estate could occur which may include third parties declining to conduct business dealings with the ACI Group. The preservation, maintenance and enhancement of the going concern value of the ACI Group are of the utmost significance and importance to a successful reorganization of the Abitibi Petitioners under the CCAA.

308. Once the continuation or replacement of the Securitization Program has been secured, the Abitibi Petitioners will seek an order from this Court authorizing the continuation or replacement of the Securitization Program.

309. While it is anticipated that the ACI Group will be able to operate for a period of time with the continuation of the Securitization Program, further financing support will be needed to provide the ACI Group with the financing it needs to see the restructuring process through to a successful conclusion.

310. ACI, with the assistance of its financial advisor, has been in advanced discussions and negotiations regarding the possibility of DIP financing for the Abitibi Petitioners during these CCAA proceedings. As of the date hereof, no such financing has been agreed upon. ACI intends to continue discussions and negotiations to try and finalize a DIP financing arrangement to fund its operations during these CCAA proceedings. ACI hopes to be in a position to bring a DIP proposal forward for approval by this Court within approximately 30 days.

311. The Abitibi Petitioners expect to be able to manage their operations based on expected cash flow in the near term but expect that a DIP facility providing

approximately $100 million in operating funding will be required if operations are to be maintained at the current level for the longer term.

312. The Senior Notes have approximately US$441.4 million outstanding but are secured by pledges of assets in respect of which sale agreements exist (shares of MPCo and ACH for gross proceeds of $600 million and $197 million respectively) as well as pledges of 11 pulp and paper mills and certain other equipment and intellectual property.

313. An amount of approximately $349.8 million is outstanding under the Term Loan. As appears from the E&Y Report, the borrowing base certificate issued by ACCC on February 28, 2009 indicates a collateral value of $471 million for inventory and accounts receivable. This represents a surplus of collateral value of $124 million. In addition, the Term Loan is secured by:

(a) the indirect pledge of the equity interest (52.5%) in Augusta Newsprint Mill which is a 423,000 MT mill that sells 100% of its product to ACSC at arm's length market determined rates;

(b) the currently idled Alabama River newsprint and recycling facility with a capacity of 265,000 MT;

(c) a guarantee from the Abitibi-Consolidated Corporation which owns a 384,000 MT currently idled recycling facility in Lufkin, Texas;

(d) a guarantee from DCorp.

8.3.8. Necessity of Obtaining DIP Financing and Continuing the Securitization Program

314. The BI DIP Facility and the continuation of the Securitization Program sought by the Petitioners are critical to the ongoing operations and restructuring of the ABH Group, the whole as set out in the E&Y Report (**Exhibit R-21**).

315. The BI DIP Facility and the Securitization Program are beneficial to the Petitioners, to the creditor body as a whole and to the larger community of stakeholders. The BI DIP Facility and the Securitization Program will allow the ABH Group to continue its operations as a going concern and preserve value to the benefit of the ABH Group's creditors, employees and other stakeholders. It is the intention of the ABH Group to seek and obtain the approval of the BI DIP Facility by the U.S. Bankruptcy Court.

316. Despite the current liquidity crisis it is facing, the ABH Group has a viable business and a strong basis for a successful restructuring.

317. Without the BI DIP Facility and the Securitization Program, the Petitioners would (a) have no access to operating credit; (b) not be able to operate in the ordinary course; and (c) not be able to satisfy their ongoing obligations to their employees, landlords, suppliers and other stakeholders.

318. Absent the BI DIP Facility and the Securitization Program, the ABH Group will have to immediately interrupt its operations for an indefinite period of time. The consequences of such a shut-down would include the following:

(a) immediate idling of all Canadian pulp and paper mills of the ABH Group. These mills are currently all generating positive cash flows. In the event of a shut-down, the conservatory costs to be incurred are estimated to be between $2 million and $5 million per mill per month;

(b) immediate idling of all Canadian sawmills of the ABH Group. While most of these sawmills currently generate negative cash flows, conservatory costs which are substantially higher than the cashflow shortfall are to be expected in the event of a shutdown;

(c) the vast majority of the ABH Group's Canadian 8,996 unionized employees and a significant portion of its 2,272 non-unionized employees would be laid-off;

(d) 950 regional suppliers and 500 specialized forest contractors supplying the ABH Group's Canadian operations would be directly affected by the shutdown;

(e) in addition, about 1,700 forest workers and about 2,300 independent workers would see their contracts either terminated or not renewed;

(f) 24 municipalities in Québec and 12 municipalities in Ontario where the ABH Group has operations would be severely impacted;

(g) approximately 50 external sawmills in Québec and Ontario would have to either close or shutdown for an indefinite period of time;

(h) several North American newspapers (including the New York Daily News, The New York Times, The Washington Post, the Chicago Tribune, the Globe and Mail, La Presse and the Journal de Montréal) which rely upon a frequent or just-in-time supply of newsprint from the Canadian operations of the ABH Group may not be in a position to publish for several days or weeks. In the event of an interruption of operations, it is expected that these customers would ultimately seek to secure alternate sources of supply; and

(i) several customers in the specialty paper segment (Québecor World, Transcontinental, etc.) and wood products segment (Rona, Home Depot, etc.) would face critical shortages of supply which would directly affect their operations. In the event of an interruption of operations, it is expected that these customers would seek to secure alternate sources of supply.

319. An interruption of the Canadian operations of the ABH Group would drastically depreciate the value of the business and assets of the ABH Group. In addition, an interruption of the ABH Group's business would certainly give rise to large number of claims in damages representing huge potential liabilities, which would significantly dilute recoveries for creditors.

320. As appears form the foregoing and the E&Y Report (**Exhibit R-21**), the benefits of authorizing the BI DIP Facility and the continuation of the Securitization Program outweigh the inconveniences, if any, suffered by the creditors of the Petitioners.

8.4. <u>Directors Indemnification and Charge</u>

321. A successful restructuring of the Petitioners will only be possible with the continued participation of their directors and officers. These executives are essential to the ongoing viability of the Petitioners' business, and the successful restructuring thereof.

322. Even though the Petitioners intend to comply with all applicable laws and regulations, the Petitioners' directors and officers may nevertheless be concerned about the potential for their personal liability in the context of the present restructuring.

323. Absent the protections sought in the conclusions of the present Petition, the Petitioners are concerned that their directors or officers will be advised to resign their posts, which would jeopardize the continuation of the Petitioners' business operations, and their successful restructuring.

324. Accordingly, the Petitioners request that the Initial Order to be granted pursuant hereto include the protections sought in the conclusions of the present Petition, namely, the orders related to the indemnification and charge in favour of their directors and officers.

325. The Abitibi Petitioners seek a $75 million D&O Charge (the "**Abitibi D&O Charge**"), which shall only affect their assets, the whole as set forth more fully under Section 53 of the conclusions of this Petition. The amount of the Abitibi D&O Charge was established taking into account hourly and salaried payroll, sales and commissions, vacation pay and sales and other taxes.

326. The Bowater Petitioners seek a $25 million D&O Charge (the "**Bowater D&O Charge**"), which shall only affect their assets, the whole as set forth more fully under Section 54 of the conclusions of the present Petition. The amount of the Bowater D&O Charge was established taking into account hourly and salaried payroll, sales and commissions, vacation pay and sales and other taxes.

8.5. <u>Appointment of Financial Advisor</u>

327. The ACI Group also seeks an order approving the appointment of BMO Nesbitt Burns Inc. ("**BMO Capital Markets**") as Canadian financial advisor, for the purpose of assisting the ABH Group in maximizing value for all constituents in the context of the present restructuring.

328. On March 31, 2009, ACI and BMO Capital Markets signed a letter agreement (the "**Engagement Letter**"). The Engagement Letter is communicated as **Exhibit R-24;**

329. Pursuant to the Engagement Letter, BMO Capital Markets has agreed, subject to the approval of this Court, to provide its expertise, advice services and assistance to the

ACI Group in connection with the pursuit of (i) a Restructuring (as defined therein), in which claims of creditors are compromised and the existing creditors and/or stakeholders retain a direct or indirect interest, (ii) a DIP Financing (as defined therein) and (iii) a Financing (as defined therein).

330. BMO Capital Markets has been retained to provide, among other things, the following key financial advisory and investment bank services:

(a) assess the potential for and feasibility of a Restructuring, a DIP Financing and a Financing;

(b) advise and assist the ACI Group in the financial aspects (other than matters related to creditor claims) of implementing a Restructuring, a DIP Financing and Financing;

(c) advise and assist in preparing solicitation and due diligence materials (including, as appropriate a web-based and physical data room); and

(d) contact prospective investors for a Restructuring, a DIP Financing and a Financing and coordinate, advise and assist in the negotiations with such investors (including coordinating prospective investors due diligence activities).

331. As consideration for the provision of such services, pursuant to the Engagement Letter, ACI agreed to pay certain fees to BMO Capital Markets, including a retention fee of $350,000 (the "**Retention Fee**"), a monthly work fee of $200,000 per month until the termination of the Engagement Letter (the "**Work Fee**"), a Financing fee base on the Commitment amount of any DIP Financing (the "**DIP Financing Fee**"), a variable exit financing fee based on the gross cash proceeds of Financing (the "**Financing Fee**"). Additionally, the Engagement Letter provides for the payment of a completion fee upon a successful Restructuring (the "**Completion Fee**"). The calculation of the Completion Fee in connection with successful Restructuring will be based on the amount of ACI secured and unsecured debt and any other claims settled in the Restructuring process.

332. The payments owing to BMO Capital Markets in respect of the Retention Fee, the Work Fee and, the DIP Financing Fee are to be secured by the Administration Charge (as defined below) sought by the Petitioners.

333. The Monitor has reviewed the Engagement Letter and supports the above mentioned engagement of BMO Capital Markets.

8.6. <u>Foreign Proceedings</u>

334. As mentioned previously, some of the Petitioners conduct business in the United States.

335. Following the issuance of the Initial Order contemplated in this Petition, ACI and ACCC intend to file proceedings under Chapter 15 of the U.S. Bankruptcy Code

seeking recognition of the Petitioners' CCAA proceedings as a foreign main proceeding under applicable law. Other Petitioners may be required to do so.

8.7. Other Relief

8.7.1. Recognition of ABH's U.S. Proceedings

336. As mentioned above, the 18.6 Petitioners seek, *inter alia*, the recognition in Canada of the automatic statutory stay of proceedings resulting from its filing of a voluntary Petition for relief under Chapter 11 of the U.S. Bankruptcy Code.

8.7.2. Advances to Petitioners

337. In order to ensure that each individual Petitioner does not fund, at the expense of its creditors, the operations of another entity, the Petitioners seek the granting of secured charges, the whole as set forth in the Sections 63 to 71 of the conclusions of this Petition.

8.7.3. Cash management

338. In order to ensure that the Petitioners can continue to access their existing bank accounts and cash management systems as described herein, the Petitioners seek the relief set forth in paragraph 20 of the conclusions of this Petition.

8.7.4. Administration Charges

339. The Abitibi Petitioners seek a Cdn$6 million administration charge the ("**Abitibi Administration Charge**"), which shall affect their assets, the whole as set forth in paragraph 76 of the conclusions of this Petition.

340. The Bowater Petitioners seek a Cdn$2 million administration charge the ("**Bowater Administration Charge**"), which shall affect their assets, the whole as set forth in paragraph 77 of the conclusions of this Petition.

8.7.5. Bowater Adequate Protection Charge

341. The Bowater Petitioners seek a charge the ("**Bowater Adequate Protection Charge**"), which shall affect their assets, the whole as set forth in paragraph 68 of the conclusions of this Petition.

9. CONCLUSIONS

342. The Initial Order being sought by the Petitioners is based on the standard CCAA Initial Order issued by the Superior Court of Québec, Commercial Division, while any changes thereto are underlined in the Draft Initial Order communicated as **Exhibit R-25**.

343. For the reasons set forth above, the Petitioners believe it is both appropriate and necessary that the relief being sought be granted. With such relief, the Petitioners

will be able to restructure their business and affairs to maximize long term value for the benefit of all stakeholders.

344. Considering the urgency of the situation, the Petitioners respectfully submit that the notices given for the presentation of this Petition are proper and sufficient.

345. The Petitioners respectfully submit that this Petition should be granted in accordance with its conclusions.

346. The present Petition is well founded in fact and in law.

WHEREFORE, MAY THIS COURT:

1. **GRANT** this Petition.

2. **ISSUE** an order pursuant to Sections 4, 5, 11 and 18.6 of the CCAA (the "**Order**"), divided under the following headings:

   (a) Service

   (b) Application of the CCAA

   (c) Effective Time

   (d) Plan of Arrangement

   (e) Recognition of U.S. Proceedings

   (f) Procedural Consolidation

   (g) Stay of Proceedings against the Petitioners, the Partnerships, the Property, the Directors or others

   (h) Possession of Property and Carrying on Business

   (i) Securitization Program

   (j) Restructuring

   (k) Directors Indemnification and Charge

   (l) BCFPI DIP Financing

   (m) Inter-Company Advances

   (n) Bowater Adequate Protection Charge

   (o) Powers of the Monitor

   (p) Appointment of Information Officer in Respect of U.S. Proceedings

(q) Approval and Appointment of Financial Advisor

(r) Priorities and General Provisions Relating to CCAA Charges

(s) General

(t) Effect, Recognition and Assistance

Service

3. **EXEMPT** AbitibiBowater Inc. ("**ABH**"), Abitibi-Consolidated Inc. ("**ACI**"), the Petitioners listed on Schedule "A" hereto (collectively with ACI, the "**Abitibi Petitioners**"), Bowater Canadian Holdings Inc. ("**BCHI**") and the Petitioners listed on Schedule "B" hereto (collectively with BCHI, the "**Bowater Petitioners**") from having to serve the Petition and from any notice of presentation.

Application of the CCAA

4. **DECLARE** that the Abitibi Petitioners and the Bowater Petitioners (collectively the "**Petitioners**") are debtor companies to which the CCAA applies.

Effective time

5. **DECLARE** that from immediately after midnight (Montréal time) on the day prior to this Order (the "**Effective Time**") to the time of the granting of this Order, any act or action taken or notice given by any Person in respect of the Petitioners, the 18.6 Petitioners, the Directors or the Property (as those terms are defined hereinafter), are deemed not to have been taken or given, as the case may be, to the extent such act, action or notice would otherwise be stayed after the granting of this Order.

Plan of Arrangement

6. **ORDER** that the Petitioners shall file with this Court and submit to their creditors one or more plans of compromise or arrangement under the CCAA (collectively, the "**Plan**") between, among others, the Petitioners and one or more classes of their creditors as the Petitioners may deem appropriate, on or before the Stay Termination Date (as defined hereinafter) or such other time or times as may be allowed by this Court.

Recognition of U.S. Proceedings

7. **ORDER AND DECLARE** that the proceedings (the "**US Proceedings**") commenced by ABH and the Petitioners listed on Schedule "C" hereto (collectively, the "**18.6 Petitioners**") under Chapter 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "**US Court**") be and are hereby recognized as foreign proceedings for purposes of Section 18.6 of the CCAA.

8. **DECLARE** that the 18.6 Petitioners are debtor companies within the meaning of the CCAA and, as such, are entitled to relief under Section 18.6 of the CCAA.

Procedural Consolidation

9. **ORDER** that the consolidation of these CCAA proceedings in respect of the Abitibi Petitioners, the Bowater Petitioners and the 18.6 Petitioners (collectively, the "**Petitioners**") shall be for administrative purposes only and shall not effect a consolidation of the assets and property of the Petitioners including, without limitation, for the purposes of any Plan or Plans that may be hereafter proposed.

Stay of Proceedings against the Petitioners, the Partnerships, the Property, the Directors or others

10. **ORDER** that, until and including May 15, 2009, or such later date as the Court may order (the "**Stay Termination Date**", the period from the date of this Order to the Stay Termination Date being referred to as the "**Stay Period**"), no right, legal or conventional, may be exercised and no proceeding, at law or under a contract, by reason of this Order or otherwise, however and wherever taken (collectively the "**Proceedings**") may be commenced or proceeded with by anyone, whether a person, firm, partnership, corporation, stock exchange, government, administration or entity exercising executive, legislative, judicial, regulatory or administrative functions (collectively, "**Persons**" and, individually, a "**Person**") against or in respect of the Petitioners, the 18.6 Petitioners and the entities listed on Schedule "D" hereto (the "**Partnerships**"), or any of the present or future property, assets, rights and undertakings of the Petitioners, the 18.6 Petitioners or the Partnerships, of any nature and in any location, whether held directly or indirectly by the Petitioners, the 18.6 Petitioners or the Partnerships, in any capacity whatsoever, or held by others for the Petitioners, the 18.6 Petitioners or the Partnerships (collectively, the "**Property**"), and all Proceedings already commenced against the Petitioners, the 18.6 Petitioners, the Partnerships or any of the Property, are stayed and suspended until the Court authorizes the continuation thereof, the whole subject to the provisions of the CCAA.

11. **ORDER** that, without limiting the generality of the foregoing, during the Stay Period, all Persons having agreements, contracts or arrangements with the Petitioners, the 18.6 Petitioners, the Partnerships or in connection with any of the Property, whether written or oral, for any subject or purpose:

    (a) are restrained from accelerating, terminating, cancelling, suspending, refusing to modify or extend on reasonable terms such agreements, contracts or arrangements or the rights of the Petitioners, the 18.6 Petitioners, the Partnerships or any other Person thereunder;

    (b) are restrained from modifying, suspending or otherwise interfering with the supply of any goods, services, or other benefits by or to such Person thereunder (including, without limitation, any directors' and officers' insurance, any telephone numbers, any form of telecommunications service, any oil, gas, electricity or other utility supply); and

    (c) shall continue to perform and observe the terms and conditions contained in such agreements, contracts or arrangements, so long as the Petitioners, the 18.6 Petitioners or the Partnerships pay the prices or charges for such goods and services received after the date of this Order as such prices or charges become due in accordance with the law or as may be hereafter negotiated (other than deposits whether by way of cash, letter of credit or guarantee, stand-by fees or similar items which the Petitioners, the 18.6 Petitioners or the Partnerships shall not be required to pay or grant);

Unless the prior written consent of the Petitioners, the 18.6 Petitioners or the Partnerships, as well as that of the Monitor, is obtained or leave is granted by this Court.

12. **ORDER** that, without limiting the generality of the foregoing and subject to Section 18.1 of the CCAA, if applicable, cash or cash equivalents placed on deposit by the Petitioners, the 18.6 Petitioners or the Partnerships with any Person during the Stay Period, whether in an operating account or otherwise for itself or for another entity, shall not be applied by such Person in reduction or repayment of amounts owing to such Person as of the date of this Order or due on or before the expiry of the Stay Period or in satisfaction of any interest or charges accruing in respect thereof; however, this provision shall not prevent any financial institution from: (i) reimbursing itself for the amount of any cheques drawn by the Petitioners, the 18.6 Petitioners or the Partnerships and properly honoured by such institution, or (ii) holding the amount of any cheques or other instruments deposited into the Petitioners', the 18.6 Petitioners' or the Partnerships' account until those cheques or other instruments have been honoured by the financial institution on which they have been drawn.

13. **ORDER** that, notwithstanding the foregoing, any Person who provided any kind of letter of credit, bond or guarantee (the "**Issuing Party**") at the request of the Petitioners, the 18.6 Petitioners or the Partnerships shall be required to continue honouring any and all such letters, bonds and guarantees, issued on or before the date of this Order; however, the Issuing Party shall be entitled, where applicable, to retain the bills of lading or shipping or other documents relating thereto until paid therefore.

14. **DECLARE** that, to the extent any rights, obligations, or time or limitation periods, including, without limitation, to file grievances, relating to the Petitioners, the 18.6 Petitioners or Partnerships or any of the Property may expire, other than the term of any lease of real property, the term of such rights or obligations, or time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period. Without limitation to the foregoing, in the event that the Petitioners, the 18.6 Petitioners or the Partnerships become bankrupt or a receiver within the meaning of paragraph 243(2) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") is appointed in respect of the Petitioners, the 18.6 Petitioners or the Partnerships, the period between the date of this Order and the day on which the Stay Period ends shall not be calculated in respect of the Petitioners, the 18.6 Petitioners or the Partnerships in determining the 30-day periods referred to in Sections 81.1 and 81.2 of the BIA.

15. **ORDER** that no Person may commence, proceed with or enforce any Proceedings against any former, present or future director or officer of the Petitioners, the 18.6 Petitioners, the Partnerships or any person that, by applicable legislation, is treated

as a director of the Petitioners, the 18.6 Petitioners or the Partnerships, or that will manage in the future the business and affairs of the Petitioners, the 18.6 Petitioners or the Partnerships (each, a "**Director**", and collectively the "**Directors**") in respect of any claim against such Director that arose before this Order was issued and that relates to obligations of the Petitioners, the 18.6 Petitioners or the Partnerships for which such Director is or is alleged to be liable (as provided under Section 5.1 of the CCAA) until further order of this Court or until the Plan, if one is filed, is refused by the creditors or is not sanctioned by the Court.

16. **ORDER** that no Person shall commence, proceed with or enforce any Proceedings against any of the Directors, officers, employees, legal counsel or financial advisers of the Petitioners, the 18.6 Petitioners, the Partnerships, the Monitor, the BI DIP Lenders (as defined hereinafter) or the legal counsel or financial advisers to the Monitor or to the BI DIP Lenders, for or in respect of the Restructuring (as defined hereinafter) or the formulation and implementation of the Plan without first obtaining leave of this Court, upon seven days written notice to the Petitioners' and the Partnerships' *ad litem* counsel and to all those referred to in this paragraph whom it is proposed be named in such Proceedings.

Possession of Property and Carrying on Business

17. **ORDER** that, subject to the terms of this Order, the Petitioners shall remain in possession of their Property until further order in these proceedings.

18. **ORDER** that the Petitioners and the Partnerships shall continue to carry on their business and financial affairs, including the business and affairs of any person, firm, joint venture or corporation owned by a Petitioner or in which a Petitioner owns an interest, in a manner consistent with the commercially reasonable preservation thereof.

19. **ORDER** that the Petitioners and Partnerships shall be authorized and empowered to continue to retain and employ the employees, consultants, individual self-employed contractors, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

20. **ORDER** that the Petitioners and the Partnerships shall be entitled to continue to utilize the existing centralized cash management systems currently in place as described in this Petition or, subject to the terms of the BI DIP Documents (as defined hereinafter), replace them with other substantially similar central cash management system(s) (together, the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Petitioners or the Partnerships of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person other than the Petitioners and the Partnerships, pursuant to the

terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System. The Monitor shall review and monitor the Cash Management System and report to this Court from time to time.

21. **ORDER** that the Petitioners and the Partnerships shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, commissions, vacation pay, current pension contributions and other benefits, reimbursement of expenses (including, without limitation, amounts charged by employees to credit cards) and other amounts payable to former, current or future employees, officers or directors on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(b) all outstanding and future amounts owing to or in respect of individuals working as independent contractors in connection with the Petitioners' business;

(c) all outstanding amounts payable to third party customer brokers or agents on or after the date of this Order;

(d) all outstanding amounts payable on or after the date of this Order in respect of (i) customer programs including, *inter alia*, rebates, adjustments, performance and volume discounts and (ii) billing errors, including duplicative invoicing, improper invoicing, duplicative payment, mispricing and various other billing and payment errors;

(e) the fees and disbursements of any Assistants retained or employed by the Petitioners or the Partnerships in respect of these proceedings, at their standard rates and charges; and

(f) the interest, fees and expenses payable under the Canadian Credit Agreement (as defined hereinafter).

22. **ORDER** that notwithstanding any other provision of this Order, the Petitioners and the Partnerships shall not make any past service contributions or special payments to funded pension plans maintained by the Petitioners or the Partnerships (the "**Pension Plans**") during the Stay Period, pending further order of this Court.

23. **ORDER** that none of the Petitioners or the Partnerships, or their respective officers or directors shall incur any obligation, whether by way of debt, damages for breach of any duty, whether statutory, fiduciary, common law or otherwise, or for breach of trust, nor shall any trust be recognized, whether express, implied, constructive, resulting, deemed or otherwise, as a result of the failure of any Person to make any contribution or payments other than current cost contribution obligations ("**Current Contributions**") during the Stay Period that they might otherwise have become

required to make to any pension plans maintained by a Petitioner or by a Partnership. Notwithstanding the foregoing and any other provision of this Order, the payment of Current Contributions shall be subject to the terms of the BI DIP Documents.

24. **ORDER** that if any claim, lien, charge or trust arises as a result of the failure of any Person to make any contribution or payment (other than Current Contributions) during the Stay Period that such Person might otherwise have become required to make to any Pension Plans but for the stay provided for herein, no such claim lien, charge or trust shall be recognized in these proceedings or in any subsequent receivership, interim receivership or bankruptcy of any of the Petitioners or the Partnerships as having priority over the claims of the CCAA Charges as set out in this Order.

25. **ORDER** that, except as otherwise provided to the contrary herein, the Petitioners and the Partnerships shall be entitled but not required to pay all reasonable expenses incurred by them in carrying on the business in the ordinary course from and after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of their Property or the business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Petitioners or the Partnerships following the date of this Order.

26. **ORDER** that, except as otherwise provided to the contrary herein, the Petitioners and the Partnerships shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Québec Pension Plan, and (iv) income taxes;

(b) amounts accruing and payable by a Petitioner or a Partnership in respect of employment insurance, Canada Pension Plan, workers compensation, employer health taxes and similar obligations of any jurisdiction with respect to employees;

(c) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Petitioners or the Partnerships in connection with the sale of goods and services by the Petitioners or the Partnerships, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

(d) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the business by the Petitioners or the Partnerships.

27. **ORDER** that, except as specifically permitted herein, the Petitioners and the Partnerships are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioners or Partnerships to any of their creditors as of this date unless such amounts have been approved by the Monitor; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the business.

28. **ORDER** that the Petitioners and the Partnerships are authorized to pay any pre-filing amounts outstanding and to complete any outstanding transactions and engage in new transactions with each other and with any of their respective affiliates and other entities, partnerships and joint ventures within and among the ABH Group (as defined hereinafter) in which they have a direct or indirect ownership interest (the Petitioners collectively with Abitibi-Bowater US Holding LLC, Bowater Newsprint South LLC and Bowater Incorporated and their respective subsidiaries are referred to herein as the "**ABH Group**") and the Petitioners and the Partnerships may, *inter alia*, continue on and after the date hereof to buy and sell goods and services and allocate, collect and pay costs, including without limitation head office expenses and shared goods and services, from and to each other and from and to the other members of the ABH Group in the ordinary course of business on terms consistent with existing arrangements or past practice (including without limitation, pursuant to the Securitization Program Agreements (as defined hereinafter) and sales of inventory by ACI to ACSC (as defined hereinafter).

Securitization Program

29. **ORDER** that the execution and delivery by ACI of the "*Omnibus Amendment No. 5 to Amended and Restated Receivables Purchase Agreement and Amendment No. 3 to Amended and Restated Purchase and Contribution Agreement and Waiver Agreement*", **Exhibit R-19** in support of the Petition, (the "**Waiver Agreement**") to:

(a) a certain Amended and Restated Receivables Purchase Agreement, dated as of January 31, 2008 (as heretofore amended, the "**RPA**"), **Exhibit R-17** in support of the Petition, among Abitibi-Consolidated U.S. Funding Corp. ("**ACUSFC**" - a wholly-owned subsidiary of ACSC that is not a debtor in the US Proceedings), Eureka Securitisation, plc ("**Eureka**"), Citibank, N.A. ("**Citibank**"), Citibank, N.A. London Branch (the "**Securitization Agent**"), ACI, in its capacity as Subservicer and an Originator, and Abitibi-Consolidated Sales Corporation ("**ACSC**", a debtor in the US Proceedings), in its capacity as Servicer and an Originator; and

(b) a certain Amended and Restated Purchase and Contribution Agreement, dated as of January 31, 2008 (as heretofore amended, the "**PCA**"), **Exhibit R-16** in support of the Petition, among ACI and ACSC as Sellers and ACUSFC as Purchaser (the terms "**Receivables**" and "**Related Security**" shall have the meanings attributed thereto in the PCA),

as well as all related documents and instruments executed or to be executed and delivered in connection therewith (as amended by the Waiver Agreement, collectively referred to as the "**Receivables Agreements**") are hereby ratified and approved.

30. **ORDERS** that ACI is hereby authorized and empowered to perform or continue to perform its obligations, including the sale and servicing of Receivables and all Related Security, under the Receivables Agreements and under the following agreements to which it is a party, **Exhibit R-18** in support of the Petition:

(a) the Undertaking Agreement (Servicer) dated as of October 27, 2005 by ACI in favour of Eureka, Citibank and the other Banks (as defined in the RPA) that are party to the RPA, as amended;

(b) the Undertaking Agreement (Originator) dated as of October 27, 2005 by ACI in favour of ACI Funding, as amended;

(c) the Deposit Account Control Agreement dated as of January 31, 2008 among ACUSFC, ACI, ACSC, Citibank and the Securitization Agent;

(d) the Blocked Accounts Agreement dated as of October 27, 2005 among ACI, ACSC, the Securitization Agent, Royal Bank of Canada and ACUSFC;

(e) the Agreement Re: Pledged Deposit Accounts dated as of October 27, 2005 among ACSC, ACI, ACUSFC, the Securitization Agent and LaSalle Bank National Association;

(f) the Second Amended and Restated Four Party Agreement for Sold Accounts (General) dated as of January 31, 2008 among Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch, ACI, ACUSFC, the Securitization Agent and Citibank;

(g) the Intercompany Agreement dated as of December 20, 2007 between ACI and ACSC; and

(h) the Accounts Receivable Policy (Shipments) General Terms and Conditions, plus the Coverage Certificate effective September 1, 2008 (together with all schedules and endorsements thereto) issued by Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch to ACI;

(collectively with the Receivables Agreements, the "**Securitization Program Agreements**").

31. **ORDER** that ACI is hereby authorized and empowered to sell the relevant Receivables and Related Security to ACUSFC pursuant to and in accordance with the Securitization Program Agreements, and such sale shall be free and clear of any lien, claims, charges or encumbrances and other interests of any of ACI, ACSC, the Petitioners or their respective creditors, including any charges created pursuant to this Order.

32. **DECLARE** that the transfers by ACI of its Receivables and Related Security to ACUSFC under the PCA shall constitute true sales under applicable non-bankruptcy law and are hereby deemed true sales and were or will be for fair consideration. Upon the transfer of the Receivables to ACUSFC, the Receivables and Related Security did (with respect to transfers occurring prior to the Effective Time as defined in the RPA) and will (with respect to transfers occurring on or after the date hereof) become the sole property of ACUSFC, and none of the Petitioners, nor any creditors of the Petitioners, shall retain any ownership rights, claims, liens or interests in or to the Receivables and Related Security, or any proceeds therefrom including, without limitation, pursuant to any theory of substantive consolidation or otherwise.

33. **DECLARE** that each Securitization Program Agreement constitutes a valid and binding obligation of ACI, enforceable against ACI in accordance with its terms and that the terms and conditions of the Securitization Program Agreements have been negotiated in good faith and at arm's length and the transfers made or to be made and the obligations incurred or to be incurred shall be deemed to have been made for fair or reasonably equivalent value and in good faith.

34. **DECLARE** that upon the transfer by ACI pursuant to the Securitization Program Agreements neither the Receivables nor the Related Security, nor the proceeds thereof, shall constitute property of the patrimonies of any of the Petitioners or their affiliates, including notwithstanding any intentional or inadvertent deposit of any proceeds of the Receivables in bank accounts owned or controlled by any of the Petitioners or their affiliates.

35. **DECLARE** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein; (ii) any bankruptcy application or bankruptcy motion filed pursuant to the BIA in respect of the Petitioners and any bankruptcy order or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners; (iii) proceedings taken by ACI under Chapter 15 of Title 11 of The United States Code ("**ACI's Chapter 15 Proceedings**"); or (iv) the provisions of any federal or provincial statute, the transfers of Receivables and Related Security made by ACI pursuant to the Securitization Program Agreements and this Order do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

36. **DECLARE** that the performance by ACI, ACSC and ACUSFC of their respective obligations under the Securitization Program Agreements, and the consummation of the transactions contemplated by the Securitization Program Agreements, and the conduct by ACI, ACSC and ACUSFC of their respective businesses, whether

occurring prior to or subsequent to the Effective Time, do not, and shall not, provide a basis for a substantive consolidation of the assets and liabilities of ACI and ACSC, or any of them, with the assets and liabilities of ACUSFC or a finding that the separate corporate identities of ACI, ACSC and ACUSFC may be ignored. Notwithstanding any other provision of this Order, the Agent, Citibank, Eureka and the other parties thereto have agreed to enter into the Securitization Program Agreements in express reliance on ACUSFC being a separate and distinct legal entity, with assets and liabilities separate and distinct from those of any of the Petitioners.

37. **DECLARE** that the transfers of Receivables and Related Security by ACI pursuant to the Securitization Program Agreements and this Order shall be valid and enforceable as against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Petitioners, for all purposes.

38. **DECLARE,** for greater certainty, that the Facility Termination Date and the Commitment Termination Date (as each is defined in the Receivables Agreements) have not occurred as a consequence of the commencement of these proceedings, the US Proceedings, ACI's Chapter 15 Proceedings or the taking of corporate actions by ACI or ACSC to approve such proceedings, or the failure of ACI or ACSC to pay any debts that are otherwise stayed by any of the foregoing or the written admission by ACI or ACSC of its inability to pay such debts.

39. **ORDER AND DECLARE** that collections of Receivables and other funds which are subject to the Deposit Account Control Agreement dated as of January 31, 2008, the Agreement Re: Pledged Deposit Accounts dated as of October 27, 2005 and the Second Amended and Restated Four Party Agreement for Sold Accounts (General), dated as of January 31, 2008 referred to above, shall be processed and transferred pursuant to such deposit account agreements and each deposit bank party thereto is directed to comply therewith.

40. **ORDER** that ACI is hereby authorized and empowered to make, execute and deliver all instruments and documents and perform all other acts (including, without limitation, the perfection of ACUSFC's ownership interest in the Receivables) that may be required in connection with the Securitization Program Agreements and the transactions contemplated thereby; it being expressly contemplated that pursuant to the terms of the Securitization Program Agreements, ACI and ACSC shall be expressly authorized and empowered to service, administer and collect the Receivables on behalf of ACUSFC pursuant to the Securitization Program Agreements, and with respect to ACI, ACSC and ACUSFC, each shall be expressly authorized and empowered to make, execute and deliver all instruments and documents and perform all other acts that may be required in connection with the Securitization Program Agreements and the transactions contemplated thereby.

41. **ORDER** that ACI is hereby authorized and empowered to use the proceeds of the arrangements contemplated by the Securitization Program Agreements in the operation of the Petitioners' businesses, provided however, that the use of the proceeds are consistent with the terms of the Securitization Program Agreements, this Order or as may otherwise be agreed in writing by the Securitization Agent.

42. **ORDER AND DECLARE** that without limiting ACI's duty to comply with and fulfill any obligations under the Securitization Program Agreements, ACI shall perform and pay all indemnification and other obligations to the Securitization Agent, Eureka, Citibank and any other Indemnified Parties (as defined in the RPA) under the Securitization Program Agreements, all obligations to ACUFSC under the Securitization Program Agreements, and all of its obligations in respect of the Insurance Policy (as defined in the RPA).

43. **ORDER AND DECLARE** that, notwithstanding the terms of this Order, the parties to the Securitization Program Agreements other than ACI shall in that capacity be unaffected in these proceedings and by any plan of compromise or arrangement proposed by any of the Petitioners under the CCAA or by any proposal filed by any of the Petitioners under the BIA, and for greater certainty, paragraph 46(f) of this Order shall not apply to the Securitization Program Agreements.

44. **DECLARE** that this Order shall not stay or otherwise apply to restrict in any way the exercise of any rights of any Person under any of the Securitization Program Agreements.

45. **ORDER AND DECLARE** that subject to further order of this Court, no order shall be made varying, rescinding, or otherwise affecting paragraph 28 hereof in respect of the Securitization Program, or inventory sales by ACI and the sale of inventory by ACI to ACSC and paragraphs 29 to 45 hereof or any other reference to the Securitization Program or the Securitization Program Agreements herein, unless either (a) notice of a motion for such order is served on the Securitization Agent and ACI by the moving party within seven (7) days after that party was served with this Order or (b) the Securitization Agent and ACI apply for or consent to such order.

Restructuring

46. **DECLARE** that, to facilitate the orderly restructuring of their business and financial affairs (the "**Restructuring**"), the Petitioners and Partnerships shall have the right, subject to approval of the Monitor or further order of the Court and to:

    (a) permanently or temporarily cease, downsize or shut down any of their operations or locations as they deem appropriate and make provisions for the consequences thereof in the Plan;

    (b) pursue all avenues to market and sell, subject to subparagraph (c), their Property, in whole or part;

    (c) convey, transfer, assign, lease, or in any other manner dispose of their Property, in whole or in part, provided that the price in each case does not exceed \$10 million or \$50 million in the aggregate, and provided that Petitioners or Partnerships apply any proceeds thereof in accordance with the Interim Financing Documents (as defined hereinafter) and the Securitization Program Agreements;

    (d) terminate the employment of such of their employees or temporarily or permanently lay off such of their employees as they deem appropriate and, to the extent any amounts in lieu of notice, termination or severance pay or other amounts in respect thereof are not paid in the ordinary course, make provision for any consequences thereof in the Plan, as the Petitioners or Partnerships may determine;

(e) subject to paragraphs 48 and 49 hereof, vacate or abandon any leased real property or repudiate any lease and ancillary agreements related to any leased premises as they deem appropriate, provided that the Petitioners or Partnerships give the relevant landlord at least seven days prior written notice, on such terms as may be agreed between the Petitioners or Partnerships and such landlord, or failing such agreement, to make provision for any consequences thereof in the Plan; and

(f) repudiate such of their agreements, contracts or arrangements of any nature whatsoever, whether oral or written, as they deem appropriate, on such terms as may be agreed between the Petitioners or Partnerships and the relevant party, or failing such agreement, to make provision for the consequences thereof in the Plan and to negotiate any amended or new agreements or arrangements.

47. **DECLARE** that, in order to facilitate the Restructuring, the Petitioners and Partnerships may, subject to approval of the Monitor:

(a) settle claims of customers and suppliers that are in dispute; and

(b) subject to further orders from this Court, establish a plan for the retention of key employees and the making of retention payments or bonuses in connection therewith.

48. **DECLARE** that, if leased premises are vacated or abandoned by the Petitioners or Partnerships pursuant to subparagraph 46(e), the landlord may take possession of any such leased premises without waiver of, or prejudice to, any claims or rights of the landlord against the Petitioners or Partnerships, provided the landlord mitigates its damages, if any, and re-leases any such leased premises to third parties on such terms as any such landlord may determine.

49. **ORDER** that the Petitioners and Partnerships shall provide to any relevant landlord notice of the Petitioners' or Partnerships' intention to remove any fixtures or leasehold improvements at least seven days in advance. If the Petitioners or Partnerships have already vacated the leased premises, they shall not be considered to be in occupation of such location pending the resolution of any dispute.

50. **DECLARE** that, pursuant to sub-paragraph 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c.5, the Petitioners and Partnerships are permitted, in the course of these proceedings, to disclose personal information of identifiable individuals in their possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to their advisers (individually, a "**Third Party**"), but only to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction for that purpose, provided that the Persons to whom such

personal information is disclosed enter into confidentiality agreements with the Petitioners or Partnerships binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information shall be returned to the Petitioners or Partnerships or destroyed. In the event that a Third Party acquires personal information as part of the Restructuring or the preparation and implementation of the Plan or a transaction in furtherance thereof, such Third Party may continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioners or Partnerships.

Directors' Indemnification and Charge

51. **ORDER** that, in addition to any existing indemnities, the Petitioners shall indemnify each of the Directors from and against the following (collectively, "**D&O Claims**"):

(a) all costs (including, without limitation, full defence costs), charges, expenses, claims, liabilities and obligations, of any nature whatsoever, which may arise on or after the date of this Order (including, without limitation, an amount paid to settle an action or a judgment in a civil, criminal, administrative or investigative action or proceeding to which a Director may be made a party), provided that any such liability relates to such Director in that capacity, and, provided that such Director (i) acted honestly and in good faith in the best interests of the Petitioners and Partnerships and (ii) in the case of a criminal or administrative action or proceeding in which such Director would be liable to a monetary penalty, such Director had reasonable grounds for believing his or her conduct was lawful, except if such Director has actively breached any fiduciary duties or has been grossly negligent or guilty of willful misconduct; and

(b) all costs, charges, expenses, claims, liabilities and obligations relating to the failure of the Petitioners or Partnerships to make any payments or to pay amounts in respect of employee or former employee entitlements to wages, vacation pay, termination pay, severance pay, pension or other benefits, or any other amount for services performed prior to or after the date of this Order and that such Directors sustain, by reason of their association with the Petitioners as a Director, except to the extent that they have actively breached any fiduciary duties or have been grossly negligent or guilty of willful misconduct.

The foregoing shall not constitute a contract of insurance or other valid and collectible insurance, as such term may be used in any existing policy of insurance issued in favour of the Petitioners, the Partnerships or any of the Directors.

52. **DECLARE** that, as security for the obligation of the Abitibi Petitioners to indemnify the Directors of the Abitibi Petitioners pursuant to paragraph 51 hereof, the Directors of the Abitibi Petitioners are hereby granted a hypothec on, mortgage of, lien on and security interest in the Property of the Abitibi Petitioners (other than the Property subject to the Securitization Program Agreements) to the extent of the aggregate

amount of $75 million (the "**Abitibi D&O Charge**"), having the priority established by paragraphs 89 and 91 hereof. Such Abitibi D&O Charge shall not constitute or form a trust. Such Abitibi D&O Charge, notwithstanding any language in any applicable policy of insurance to the contrary, shall only apply to the extent that the Directors of the Abitibi Petitioners do not have coverage under any directors' and officers' insurance, which shall not be excess insurance to the Abitibi D&O Charge. In respect of any D&O Claim against any of the Directors of the Abitibi Petitioners (collectively, the "**Abitibi Respondent Directors**"), if such Abitibi Respondent Directors do not receive confirmation from the applicable insurer within 21 days of delivery of notice of the D&O Claim to the applicable insurer, confirming that the applicable insurer will provide coverage for and indemnify the Abitibi Respondent Directors, then, without prejudice to the subrogation rights hereinafter referred to, the Abitibi Petitioners shall pay the amount of the D&O Claim upon expiry. Failing such payment, the Abitibi Respondent Directors may enforce the Abitibi D&O Charge provided that the Abitibi Respondent Directors shall reimburse the Abitibi Petitioners to the extent that they subsequently receive insurance benefits for the D&O Claim paid by the Abitibi Petitioners, and provided further that the Abitibi Petitioners shall, upon payment, be subrogated to the rights of the Abitibi Respondent Directors to recover payment from the applicable insurer as if no such payment had been made.

53. **DECLARE** that, as security for the obligation of the Bowater Petitioners to indemnify the Directors of the Bowater Petitioners pursuant to paragraph 51 hereof, the Directors of the Bowater Petitioners are hereby granted a hypothec on, mortgage of, lien on and security interest in the Property of the Bowater Petitioners to the extent of the aggregate amount of $25 million (the "**Bowater D&O Charge**"), having the priority established by paragraphs 90 and 91 hereof. Such Bowater D&O Charge shall not constitute or form a trust. Such Bowater D&O Charge, notwithstanding any language in any applicable policy of insurance to the contrary, shall only apply to the extent that the Directors of the Bowater Petitioners do not have coverage under any directors' and officers' insurance, which shall not be excess insurance to the Bowater D&O Charge. In respect of any D&O Claim against any of the Directors of the Bowater Petitioners (collectively, the "**Bowater Respondent Directors**"), if such Bowater Respondent Directors do not receive confirmation from the applicable insurer within 21 days of delivery of notice of the D&O Claim to the applicable insurer, confirming that the applicable insurer will provide coverage for and indemnify the Bowater Respondent Directors, then, without prejudice to the subrogation rights hereinafter referred to, and subject to the terms of the BI DIP Documents (as defined hereinafter), the Bowater Petitioners shall pay the amount of the D&O Claim upon expiry. Failing such payment, the Bowater Respondent Directors may enforce the Bowater D&O Charge provided that the Bowater Respondent Directors shall reimburse the Bowater Petitioners to the extent that they subsequently receive insurance benefits for the D&O Claim paid by the Bowater Petitioners, and provided further that the Bowater Petitioners shall, upon payment, be subrogated to the rights of the Bowater Respondent Directors to recover payment from the applicable insurer as if no such payment had been made.

BCFPI DIP Financing

54. **ORDER** that the Bowater Petitioners are hereby authorized and empowered to enter into, obtain and borrow under credit facilities provided pursuant to a Senior Secured Superpriority Debtor in Possession Credit Agreement among Avenue Investments, L.P., as a lender, Fairfax Financial Holdings Limited ("**Fairfax**"), as a lender, the other lenders party thereto from time to time (collectively, the "**BI DIP Lenders**" and , Fairfax as Administrative Agent and Collateral Agent (the Administrative Agent and the Collateral Agent, collectively, the "**BI DIP Agent**") substantially in the form communicated as **Exhibit R-23** in support of the Petition (subject to such non-material amendments and modifications as the parties may agree with a copy thereof being provided in advance to the Monitor) (the "**BI DIP Credit Agreement**"), provided that borrowings under such credit facility shall not exceed the principal amount of US$600 million unless permitted by further Order of this Court, and the BI DIP Credit Agreement is hereby approved.

55. **ORDER** that the Bowater Petitioners are hereby authorized and empowered to execute and deliver the BI DIP Credit Agreement and such commitment letters, fee letters, credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, with the BI DIP Credit Agreement, the "**BI DIP Documents**"), as are contemplated by the BI DIP Credit Agreement or as may be reasonably required by the BI DIP Lenders or the BI DIP Agent pursuant to the terms thereof, and the Bowater Petitioners are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the BI DIP Lenders and the BI DIP Agent under and pursuant to the BI DIP Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

56. **ORDER** that all of the Property of the Bowater Petitioners is hereby charged by a movable or immovable hypothec, mortgage, lien and security interest to the extent of the aggregate amount of US$600 million (such hypothec, mortgage, lien and security interest, together with any other hypothec, mortgage, lien or security interest created or contemplated by the DIP Documents, the "**BI DIP Lenders Charge**") in favour of the BI DIP Agent, in its capacity as Collateral Agent, for and on behalf of the Secured Parties (as defined in the BI DIP Credit Agreement) (collectively, the "**BI DIP Secured Parties**") as security for all obligations of the Bowater Petitioners to the BI DIP Secured Parties with respect to all amounts owing, including principal, interest and the BI DIP Lenders Expenses (as defined hereinafter) and all obligations required to be performed under or in connection with the BI DIP Documents. The BI DIP Lenders Charge shall have the priority established by paragraphs 90 and 91 hereof.

57. **ORDER** that, notwithstanding any other provision of this Order, the Bowater Petitioners shall pay to the BI DIP Agent and the BI DIP Lenders when due all amounts owing (including principal, interest, fees and expenses, including without limitation, all fees and disbursements of counsel and all other advisers to or agents of the BI DIP Agent and the BI DIP Lenders on a full indemnity basis (the "**BI DIP Lenders Expenses**")) under the BI DIP Documents and shall perform all of their other obligations to the BI DIP Agent and to the BI DIP Lenders pursuant to the BI DIP Documents and this Order.

58. **ORDER** that the claims of the BI DIP Agent and the BI DIP Lenders pursuant to the BI DIP Documents shall not be compromised or arranged pursuant to the Plan or these proceedings and the BI DIP Agent and the BI DIP Lenders, in that capacity, shall be treated as unaffected creditors in these proceedings and in any Plan or any proposal filed by a Bowater Petitioner under the BIA.

59. **ORDER** that the BI DIP Agent and the BI DIP Lenders may:

(a) notwithstanding any other provision of this Order, take such steps from time to time as they may deem necessary or appropriate to register, record or perfect the BI DIP Lenders Charge and the BI DIP Documents in all jurisdictions where they deem it is appropriate; and

(b) notwithstanding the terms of paragraphs 10 and 11 hereof, upon the occurrence of an Event of Default (as defined in the BI DIP Documents), refuse to make any advance to the Bowater Petitioners and terminate, reduce or restrict any further commitment to the Bowater Petitioners to the extent any such commitment remains, set off or consolidate any amounts owing by the BI DIP Agent or by the BI DIP Lenders to the Bowater Petitioners against the obligations of the Bowater Petitioners to the BI DIP Agent and the BI DIP Lenders under the BI DIP Documents or the BI DIP Lenders Charge, make demand, accelerate payment or give other similar notices, and the foregoing rights and remedies of the BI DIP Lenders under this paragraph shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Bowater Petitioners or the Property of the Bowater Petitioners, the whole in accordance with and to the extent provided in the BI DIP Documents.

60. **ORDER** that the BI DIP Lenders shall not take any enforcement steps under the BI DIP Documents or the BI DIP Lenders Charge without providing a five (5) business days (the "**Notice Period**") written enforcement notice of a default thereunder to the Bowater Petitioners, the Monitor and to creditors requesting a copy of such notice. Upon expiry of such Notice Period, and notwithstanding any stay of proceedings provided herein, the BI DIP Agent and the BI DIP Lenders shall be entitled to take any and all steps and exercise all rights and remedies provided for under the BI DIP Documents and the BI DIP Lenders Charge and otherwise permitted at law, the whole in accordance with applicable provincial laws, but without having to send any notices under Section 244 of the BIA.

61. **ORDER** that, subject to further order of this Court, no order shall be made varying, rescinding, or otherwise affecting paragraphs 54 to 61 hereof, the approval of the BI DIP Documents or the BI DIP Lenders Charge unless either (a) notice of a motion for such order is served on the Petitioners, the Monitor, the BI DIP Agent and the BI DIP Lenders by the moving party and returnable by no later than April 27, 2009; or (b) the BI DIP Agent and the BI DIP Lenders apply for or consent to such order.

Inter-Company Advances

62. **ORDER** that any Abitibi Petitioner is authorized to borrow, repay and reborrow (such party being an "**ACI Inter-Company Borrower**") from any member of the ABH Group (such party being an "**ACI Inter-Company Lender**"), such amounts from time to time as it may consider necessary or desirable on a revolving basis (the "**ACI Inter-Company Advances**") pursuant to a promissory note issued in favour of the ACI Inter-Company Lender as evidence thereof, to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order.

63. **ORDER** that all of the Property of an ACI Inter-Company Borrower (other than the Property subject to the Securitization Program Agreements) is hereby charged by a lien, mortgage and security interest (the "**ACI Inter-Company Advances Charge**") in favour of the ACI Inter-Company Lender as security for the obligations of the ACI Inter-Company Borrower to the ACI Inter-Company Lender with respect to the ACI Inter-Company Advances made to it. The ACI Inter-Company Advances Charge shall have the priority established by paragraphs 89 and 91 hereof.

64. **ORDER** that the claims of the ACI Inter-Company Lender pursuant to the ACI Inter-Company Advances shall not be compromised or arranged pursuant to the Plan or these proceedings, but unless otherwise ordered, the exercise of any remedies by the ACI Inter-Company Lender in respect thereof under the ACI Inter-Company Advances Charge shall be subject to the stay provided for in this Order.

65. **ORDER** that, subject to the terms of the BI DIP Documents, any Bowater Petitioner is authorized to borrow, repay and reborrow (such party being a "**BI Inter-Company Borrower**") from any member of the ABH Group (such party being a "**BI Inter-Company Lender**"), such amounts from time to time as it may consider necessary or desirable on a revolving basis (the "**BI Inter-Company Advances**") pursuant to a promissory note issued in favour of the BI Inter-Company Lender as evidence thereof, to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order.

66. **ORDER** that all of the Property of an BI Inter-Company Borrower is hereby charged by a lien, mortgage and security interest the ("**BI Inter-Company Advances Charge**") in favour of the BI Inter-Company Lender as security for the obligations of the BI Inter-Company Borrower to the BI Inter-Company Lender with respect to the BI Inter-Company Advances made to it. The BI Inter-Company Advances Charge shall have the priority established by paragraphs 90 and 91.

67. **ORDER** that the claims of the BI Inter-Company Lender pursuant to the BI Inter-Company Advances shall not be compromised or arranged pursuant to the Plan or these proceedings, but unless otherwise ordered, the exercise of any remedies by the BI Inter-Company Lender in respect thereof under the BI Inter-Company Advances Charge shall be subject to the stay provided for in this Order.

Bowater Adequate Protection Charge

68. **ORDER** that all of the Property of the Bowater Petitioners is hereby charged by a lien, mortgage and security interest the ("**Bowater Adequate Protection Charge**") as

security for the diminution in the value of the BI Bank Syndicate Security (as defined below), if any, subsequent to April 16, 2009 by sale, lease or use of the BI Bank Syndicate Security. The Bowater Adequate Protection Charge shall have the priority established by paragraphs 90 and 91 hereof.

69. **ORDER** that the obligations secured and the Property affected by the Bowater Adequate Protection Charge shall be subject to approval of such charge in the US Proceedings and, in the event a lesser charge is approved or a lesser obligation is secured, the Bowater Adequate Protection Charge shall be reduced *pro tanto*. The exercise of any remedies under the Bowater Adequate Protection Charge shall be subject to the stay provided for in this Order.

Powers of the Monitor

70. **ORDER** hat Ernst & Young Inc. is hereby appointed to monitor the business and financial affairs of the Petitioners and Partnerships as an officer of this Court and that the Monitor shall, in addition to the duties and functions referred to in Section 11.7 of the CCAA:

(a) give notice of this Order, within 10 days, to every known creditor of the Petitioners having a claim of more than $5,000.00 against it, advising that such creditor may obtain a copy of this Order on the internet at the website of the Monitor (the "**Website**") or, failing that, from the Monitor and the Monitor shall, upon request, so provide it. Such notice shall be deemed sufficient in accordance with Subsection 11(5) of the CCAA;

(b) review and monitor the receipts and disbursements of the Petitioners and Partnerships including without limitation the intercompany transactions referred to in paragraphs 28 and 62 to 67 of this Order;

(c) assist the Petitioners, to the extent required by the Petitioners and Partnerships, in dealing with their creditors and other interested Persons during the Stay Period;

(d) assist the Petitioners, to the extent required by the Petitioners and Partnerships, with the preparation of their cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;

(e) advise and assist the Petitioners, to the extent required by the Petitioners and Partnerships, to review the Petitioners' and Partnerships' business and assess opportunities for cost reduction, revenue enhancement and operating efficiencies;

(f) assist the Petitioners, to the extent required by the Petitioners and Partnerships, with the Restructuring and in their negotiations with their creditors and other interested Persons and with the holding and administering of any meetings held to consider the Plan;

(g) report to the Court on the state of the business and financial affairs of the Petitioners and Partnerships or developments in these proceedings or any related proceedings within the time limits set forth in the CCAA and at such time as considered appropriate by the Monitor or as the Court may order;

(h) report to this Court and interested parties, including but not limited to creditors affected by the Plan, with respect to the Monitor's assessment of, and recommendations with respect to, the Plan;

(i) retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of this Order, including, without limitation, one or more entities related to or affiliated with the Monitor;

(j) engage legal counsel to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its obligations in these proceedings and any related proceedings, under this Order or under the CCAA;

(k) may act as a foreign representative of the Petitioners in any proceedings outside of Canada;

(l) may give any consents or approvals as are contemplated by this Order; and

(m) perform such other duties as are required by this Order, the CCAA or this Court from time to time.

The Monitor shall not otherwise interfere with the business and financial affairs carried on by the Petitioners and Partnerships, and the Monitor is not empowered to take possession of the Property nor to manage any of the business and financial affairs of the Petitioners and Partnerships.

71. **ORDER** that the Petitioners and their directors, officers, employees and agents, accountants, auditors and all other Persons having notice of this Order shall forthwith provide the Monitor with unrestricted access to all of the Property, including, without limitation, the premises, books, records, data, including data in electronic form, and all other documents of the Petitioners and Partnerships in connection with the Monitor's duties and responsibilities hereunder.

72. **DECLARE** that the Monitor may provide creditors and other relevant stakeholders of the Petitioners with information in response to requests made by them in writing addressed to the Monitor and copied to the Petitioners' counsel. The Monitor shall not have any duties or liabilities in respect of such information disseminated by it pursuant to the provisions of this Order or the CCAA, other than as provided in paragraph 74 hereof. In the case of information that the Monitor has been advised by the Petitioners, the BI DIP Agent or the BI DIP Lenders is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Petitioners, the BI DIP Agent and the BI DIP Lenders unless otherwise directed by this Court.

(g) report to the Court on the state of the business and financial affairs of the Petitioners and Partnerships or developments in these proceedings or any related proceedings within the time limits set forth in the CCAA and at such time as considered appropriate by the Monitor or as the Court may order;

(h) report to this Court and interested parties, including but not limited to creditors affected by the Plan, with respect to the Monitor's assessment of, and recommendations with respect to, the Plan;

(i) retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of this Order, including, without limitation, one or more entities related to or affiliated with the Monitor;

(j) engage legal counsel to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its obligations in these proceedings and any related proceedings, under this Order or under the CCAA;

(k) may act as a foreign representative of the Petitioners in any proceedings outside of Canada;

(l) may give any consents or approvals as are contemplated by this Order; and

(m) perform such other duties as are required by this Order, the CCAA or this Court from time to time.

The Monitor shall not otherwise interfere with the business and financial affairs carried on by the Petitioners and Partnerships, and the Monitor is not empowered to take possession of the Property nor to manage any of the business and financial affairs of the Petitioners and Partnerships.

71. **ORDER** that the Petitioners and their directors, officers, employees and agents, accountants, auditors and all other Persons having notice of this Order shall forthwith provide the Monitor with unrestricted access to all of the Property, including, without limitation, the premises, books, records, data, including data in electronic form, and all other documents of the Petitioners and Partnerships in connection with the Monitor's duties and responsibilities hereunder.

72. **DECLARE** that the Monitor may provide creditors and other relevant stakeholders of the Petitioners with information in response to requests made by them in writing addressed to the Monitor and copied to the Petitioners' counsel. The Monitor shall not have any duties or liabilities in respect of such information disseminated by it pursuant to the provisions of this Order or the CCAA, other than as provided in paragraph 74 hereof. In the case of information that the Monitor has been advised by the Petitioners, the BI DIP Agent or the BI DIP Lenders is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Petitioners, the BI DIP Agent and the BI DIP Lenders unless otherwise directed by this Court.

73. **DECLARE** that the Monitor shall not be, nor be deemed to be, an employer or a successor employer of the employees of the Petitioners and Partnerships or a related employer in respect of the Petitioners and Partnerships within the meaning of any federal, provincial or municipal legislation governing employment, labour relations, pay equity, employment equity, human rights, health and safety or pensions or any other statute, regulation or rule of law or equity for any similar purpose and, further, that the Monitor shall not be, nor be deemed to be, in occupation, possession, charge, management or control of the Property or business and financial affairs of the Petitioners pursuant to any federal, provincial or municipal legislation, statute, regulation or rule of law or equity which imposes liability on the basis of such status, including, without limitation, the *Environment Quality Act* (Québec), the *Canadian Environmental Protection Act*, 1999 or the *Act Respecting Occupational Health and Safety* (Québec) or similar other federal or provincial legislation.

74. **DECLARE** that, in addition to the rights and protections afforded to the Monitor by the CCAA, this Order or its status as an officer of the Court, the Monitor shall not incur any liability or obligation as a result of its appointment and the fulfilment of its duties or the provisions of this Order, save and except any liability or obligation arising from the gross negligence or willful misconduct, and no action or other proceedings shall be commenced against the Monitor relating to its appointment, its conduct as Monitor or the carrying out the provisions of any order of this Court, except with prior leave of this Court, on at least seven days notice to the Monitor and its counsel.

75. **ORDER** that the Petitioners shall pay the fees and disbursements of the Monitor, the Monitor's legal counsel, the Petitioners' legal counsel and other advisers, incurred in connection with or with respect to the Restructuring, whether incurred before or after this Order, and shall provide each with a reasonable retainer in advance on account of such fees and disbursements, if so requested.

76. **DECLARES** that the Monitor, the Monitor's legal counsel, the Abitibi Petitioners' legal counsel and other advisers, as security for the professional fees and disbursements incurred both before and after the making of this Order by the Abitibi Petitioners in respect of these proceedings, the Plan and the Restructuring, in addition to the retainers referred to paragraph 75 hereof, be entitled to the benefit of and are hereby granted a hypothec on, mortgage of, lien on, and security interest in the Property of the Abitibi Petitioners (other than the Property subject to the Securitization Program Agreements) to the extent of the aggregate amount of $6 million (the "**Abitibi Administration Charge**"), having the priority established by paragraphs 89 and 91 hereof.

77. **DECLARE** that the Monitor, the Monitor's legal counsel, the Bowater Petitioners' legal counsel and other advisers, as security for the professional fees and disbursements incurred both before and after the making of this Order by the Bowater Petitioners in respect of these proceedings, the Plan and the Restructuring, in addition to the retainers referred to paragraph 75 hereof, be entitled to the benefit of and are hereby granted a hypothec on, mortgage of, lien on, and security interest in the Property of the Bowater Petitioners to the extent of the aggregate amount of $2

million (the "**Bowater Administration Charge**"), having the priority established by paragraphs 90 and 91 hereof.

Appointment of Information Officer in Respect of U.S. Proceedings

78. **ORDERS** that, in respect of the U.S. Proceedings of the 18.6 Petitioners, Ernst & Young Inc. is hereby appointed as an information officer with the powers and obligations set out herein (the "**Information Officer**").

79. **ORDER** that the Information Officer shall report to this Court at such times and intervals as the Information Officer deems appropriate and, in any event, shall deliver a report to this Court at least once every two months outlining the status of the U.S. Proceedings of the 18.6 Petititioners, and such other information as the Information Officer believes to be material with copies of such reports provided to the BI DIP Agent and the BI DIP Lenders and report to the BI DIP Lenders on such additional issues related thereto upon the request of the BI DIP Agent and the BI DIP Lenders or their counsel.

80. **ORDER** that, in addition to the rights and protections afforded to the Information Officer as an officer of this Court, the Information Officer shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except from a failure to act in good faith and to take reasonable care. Nothing in this Order shall derogate from the protections afforded to the Information Officer by the CCAA or any applicable legislation.

81. **ORDER** that the Information Officer shall provide any creditor of the 18.6 Petitioners located in Canada with information provided by the 18.6 Petitioners in response to reasonable requests for information made in writing by such creditor addressed to the Information Officer. The Information Officer shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Information Officer has been advised by the 18.6 Petitioners is confidential, the Information Officer shall not provide such information to creditors unless as otherwise directed by this Court or on such terms as the Information Officer and the 18.6 Petitioners may agree upon.

82. **ORDER** that the Information Officer shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the business of the 18.6 Petitioners and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the business or Property of the 18.6 Petitioners, or any part thereof. For greater certainty, the Information Officer shall not employ any employee of the 18.6 Petitioners;

83. **ORDER** that nothing herein contained shall require the Information Officer to occupy or to take control, care, charge, possession or management of any of the Property of the 18.6 Petitioners that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Environment Quality Act* (Quebec), the *Canadian*

Environmental Protection Act, 1999 or similar other federal or provincial legislation and regulations under such legislation (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Information Officer from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Information Officer shall not, as a result of this Order or anything done in pursuance of the Information Officer's duties and powers under this Order, be deemed to be in possession of any of the Property of the 18.6 Petitioners within the meaning of any Environmental Legislation, unless it is actually in possession of such property.

Approval of Appointment of Financial Advisor

84. **AUTHORIZE** the appointment of BMO Nesbitt Burns Inc. ("**BMO Capital Markets**") as financial advisor pursuant to the terms of the engagement letter dated March 31, 2009 (the "**Engagement Letter**") entered into by ACI. ACI is authorized to enter into the Engagement Letter and to carry out and perform its rights and obligations thereunder (including payment of amounts due to be paid pursuant to the terms of the Engagement Letter) and the Engagement Letter shall be binding upon ACI.

85. **ORDER** that, without limiting the provisions of this Order, the Abitibi Petitioners shall pay, from time to time, certain fees to BMO Capital Markets, including a retention fee of $350,000.00 (the "**Retention Fee**"), a work fee of $200,000.00 per month until the termination of the Engagement Letter (the "**Work Fee**"), a financing fee based on the commitment amount of any DIP financing (the "**DIP Financing Fee**") and the reimbursement of disbursements (and including any taxes on any of the foregoing) pursuant to the Engagement Letter (collectively, the "**BMO Obligations**").

86. **DECLARE** that BMO Capital Markets, as security for the BMO Obligations, shall be entitled to and is hereby granted the benefit of the Administration Charge on a *pari passu* basis with all other beneficiaries of the Administration Charge.

87. **DECLARE** that all claims of BMO Capital Markets pursuant to the Engagement Letter are not claims that may be compromised pursuant to any plan of compromise or arrangement under the CCAA or proposal under the BIA and no such plan or proposal shall be approved that does not provide for the payment of the BMO Obligations pursuant to the terms of the Engagement Letter.

88. **ORDER** that notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of the Abitibi Petitioners and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the Abitibi Petitioners;

the terms of the Engagement Letter and any payments made or actions taken pursuant thereto shall be binding on any trustee in bankruptcy that may be appointed in respect of the applicable Abitibi Petitioners and shall not be void or voidable by creditors of the applicable Abitibi Petitioners, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it or they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

Priorities and General Provisions Relating to CCAA Charges

89. **DECLARE** that the priorities of the Abitibi Administration Charge, Abitibi D&O Charge, ACI Inter-Company Advances Charge and any charge granted by this Court to secure a DIP financing of the Abitibi Petitioners (collectively, the "**Abitibi CCAA Charges**"), as between them with respect to any Property of the Abitibi Petitioners to which they apply, shall be as follows:

    (a) first, the Abitibi Administration Charge;

    (b) second, the Abitibi D&O Charge, up to a maximum of $22.5 million (the "**Abitibi D&O First Tranche**");

    (c) third, any charge securing a DIP financing of the Abitibi Petitioners authorized by further order of this Court ;

    (d) fourth, the ACI Inter-Company Advances Charge; and

    (e) fifth, the Abitibi D&O Charge in respect of the balance of amounts, if any, secured thereby (the "**Abitibi D&O Second Tranche**").

90. **DECLARE** that the priorities of the Bowater Administration Charge, Bowater D&O Charge, BI DIP Lenders Charge, Bowater Adequate Protection Charge and BI Inter-Company Advances Charge (collectively, the "**Bowater CCAA Charges**"), as between them with respect to any Property of the Bowater Petitioners to which they apply, shall be as follows:

    (a) first, the Bowater Administration Charge;

    (b) second, the Bowater D&O Charge, up to a maximum of $7.5 million (the "**Bowater D&O First Tranche**");

    (c) third, the BI DIP Lenders Charge;

    (d) fourth, the Bowater Adequate Protection Charge;

    (e) fifth, the BI Inter-Company Advances Charge; and

    (f) sixth, the Bowater D&O Charge in respect of the balance of amounts, if any, secured thereby (the " **Bowater D&O Second Tranche**").

91. **DECLARE** that the Abitibi CCAA Charges and the Bowater CCAA Charges (collectively, the "**CCAA Charges**") shall rank in priority to any and all other hypothecs, mortgagees, liens, trusts, security, priorities, conditional sale agreements,

financial leases, charges, encumbrances or security of whatever nature or kind (collectively, "**Encumbrances**") affecting the Property of the Petitioners, other than:

(a) in the case of the BI DIP Lenders Charge, the Bowater Adequate Protection Charge, the BI Inter-Company Advances Charge and the Bowater D&O Second Tranche, valid and perfected Encumbrances in respect of principal and interest, affecting the Property of the Bowater Petitioners and currently held pursuant to the Credit Agreement dated as of May 31, 2006, as amended and restated (the "**Canadian Credit Agreement**") or supplemented, among BCFPI, as borrower, the lenders named thereto and the Bank of Nova Scotia, as administrative agent (the "**BI Bank Syndicate Security**"), which BI Bank Syndicate Security shall rank in priority to the BI DIP Lenders Charge, the Bowater Adequate Protection Charge, the BI Inter-Company Advances Charge and the Bowater D&O Second Tranche; and

(b) in the case of the ACI Inter-Company Advances Charge and the Abitibi D&O Second Tranche above:

(i) valid and perfected Encumbrances in respect of principal and interest affecting the Property of the Abitibi Petitioners and currently held pursuant to the Credit and Guaranty Agreement dated as of April 1, 2008 among, *inter alia*, ACI, as borrower, Abitibi-Consolidated Company of Canada ("**ACCC**") as guarantor, the Lenders party thereto and Goldman Sachs Credit Partners L.P. as administrative agent (the "**ACI Bank Security**"); and

(ii) valid and perfected Encumbrances in respect of principal and interest, affecting the Property of the Abitibi Petitioners and currently held pursuant to the US$413 million 13.75% Senior Secured Notes due April 1, 2011 (the "**Senior Notes Security**");

which ACI Bank Security and Senior Notes Security shall rank in priority to the ACI Inter-Company Advances Charge and the Abitibi D&O Second Tranche.

92. **ORDER** that nothing in this Order shall affect any determination of (i) the validity or perfection of the BI Bank Syndicate Security, the ACI Bank Security or the Senior Notes Security, (ii) whether such security is opposable to third parties, or (iii) whether such security is avoidable under applicable Canadian or United States laws.

93. **ORDER** that, except as otherwise expressly provided for herein, the Petitioners shall not grant any Encumbrances in or against any Property that rank in priority to, or *pari passu* with, any of the CCAA Charges unless the Petitioners obtain the prior written consent of the Monitor and in the case of the Bowater Petitioners, the prior consent of the BI DIP Agent, the BI DIP Lenders and the prior approval of the Court.

94. **DECLARES** that each of the CCAA Charges shall attach, as of the Effective Time of this Order, to all present and future Property of the Abitibi Petitioners (other than the Property subject to the Securitization Program Agreements) or the Bowater

Petitioners, as the case may be, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent.

95. **DECLARE** that the CCAA Charges and the rights and remedies of the beneficiaries of such Charges, as applicable, shall be valid and enforceable and shall not otherwise be limited or impaired in any way by: (i) these proceedings and the declaration of insolvency made herein; (ii) any application for a bankruptcy order filed pursuant to the BIA in respect of the Petitioners or any bankruptcy order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners; (iii) proceedings taken by any of the Petitioners under Chapter 11 of Title 11 of The United States Code; or (iv) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any agreement, lease, sub-lease, offer to lease or other arrangement which binds the Petitioners (a "**Third Party Agreement**"), and notwithstanding any provision to the contrary in any Third Party Agreement:

(a) the creation of any of the CCAA Charges shall not create or be deemed to constitute a breach, by the Petitioners, of any Third Party Agreement to which they are a party; and

(b) any beneficiary of the CCAA Charges shall not be held liable against any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the CCAA Charges.

96. **DECLARE** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein, (ii) any petition for a bankruptcy order filed pursuant to the BIA in respect of the Petitioners and any bankruptcy order allowing such petition or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners; (iii) proceedings taken by any of the Petitioners under Chapter 11 of Title11 of The United States Code; or (iv) the provisions of any federal or provincial statute, the payments or disposition of Property made by the Petitioners pursuant to the Order and the granting of the CCAA Charges, do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

97. **DECLARE** that the CCAA Charges shall be valid and enforceable as against all Property of the Abitibi Petitioners (other than the Property subject to the Securitization Program Agreements) or of the Bowater Petitioners as the case may be and against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Petitioners, for all purposes and without any filing registration, publication, recording or perfecting of the CCAA Charges.

General

98. **DECLARE** that this Order and any proceeding or affidavit leading to the Order, shall not, in and of themselves, constitute a default or failure to comply, by the Petitioners, under any statute, regulation, license, permit, contract, permission, covenant, agreement, undertaking or other written document or requirement.

99. **DECLARE** that, except as otherwise specified herein, the Petitioners are at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective given addresses as last shown on the records of the Petitioners and that any such service shall be deemed to be received on the date of delivery (if by personal delivery or electronic transmission), on the following business day (if delivered by courier), or three business days after mailing (if by ordinary mail).

100. **DECLARE** that the Petitioners may serve any Court materials in these proceedings on all represented parties electronically, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that the Petitioners shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter.

101. **DECLARE** that any party in these proceedings, other than the Petitioners, may serve any Court materials electronically, by emailing a PDF or other electronic copy of all materials to counsels' email addresses, provided that such party shall deliver both PDF or other electronic copies and "hard copies" of all materials to counsel to the Petitioners and the Monitor and to any other party requesting same.

102. **DECLARE** that, unless otherwise provided herein or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings, unless such Person has served a Notice of Appearance on the solicitors for the Petitioners and the Monitor and has filed such notice with this Court.

103. **DECLARE** that the Petitioners or the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and rights hereunder or in respect of the proper execution of this Order on notice only to each other.

104. **DECLARE** that any interested Person may apply to this Court to vary or rescind this Order or seek other relief upon seven days notice to the Petitioners, the Monitor, the BI DIP Agent, the BI DIP Lenders and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

Effect, Recognition and Assistance

105. **DECLARE** that this Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.

106. **REQUEST** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian Federal Court or administrative body and any federal or State Court or administrative body in the United States of America including, without limitation, the U.S. Bankruptcy Court, and other nations and states to give effect to this Order and to assist the Petitioners, the Monitor and their respective agents in carrying out the terms of this Order and any other Order in these proceedings. All Courts or administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioners and

to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to ACI and/or the Monitor in any foreign proceedings and to assist the Petitioners and the Monitor and their respective agents in carrying out the terms of this Order and any other Order in these proceedings, including, without limitation, recognizing the Petitioners' CCAA proceedings as a foreign main proceeding under applicable law.

107. **DECLARE** that each of the Petitioners and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and any other Order granted by this Court including, without limitation, applications under Chapter 15 of the U.S. Bankruptcy Code in respect of ACI and ACCC, and to recognize or give effect to or otherwise further the Restructuring.

108. **DECLARE** that for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada and in particular in the U.S. Bankruptcy Court in respect of proceedings commenced under Chapter 15 of the U.S. Bankruptcy Code and any ancillary relief in respect thereto, ACI shall be appointed as and is hereby authorized and directed to act as the foreign representative of the Petitioners and to seek such aid and recognition.

109. **DECLARE** that for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada, the Petitioners' centre of main interest (COMI) is ACI's principal executive offices situated at 1155 Metcalfe Street, in the city and district of Montréal, Province of Québec.

110. **ORDER** the provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security.

THE WHOLE WITHOUT COSTS, save and except in case of contestation.

Montréal, April 17, 2009

Stikeman Elliott

Stikeman Elliott ~~LLP~~
Attorneys for the Petitioners

SCHEDULE "A"

ABITIBI PETITIONERS

1. Abitibi-Consolidated Inc.
2. Abitibi-Consolidated Company of Canada
3. 3224112 Nova Scotia Limited
4. Marketing Donohue Inc.
5. Abitibi-Consolidated Canadian Office Products Holdings Inc.
6. 3834328 Canada Inc.
7. 6169678 Canada Inc.
8. 4042140 Canada Inc.
9. Donohue Recycling Inc.
10. 1508756 Ontario Inc.
11. 3217925 Nova Scotia Company
12. La Tuque Forest Products Inc.
13. Abitibi-Consolidated Nova Scotia Incorporated
14. Saguenay Forest Products Inc.
15. Terra Nova Explorations Ltd.
16. The Jonquière Pulp Company
17. The International Bridge and Terminal Company
18. Scramble Mining Ltd.
19. 9150-3383 Québec Inc.

SCHEDULE "B"

BOWATER PETITIONERS

1. Bowater Canadian Holdings Inc.
2. Bowater Canada Finance Corporation
3. Bowater Canadian Limited
4. 3231378 Nova Scotia Company
5. AbitibiBowater Canada Inc.
6. Bowater Canada Treasury Corporation
7. Bowater Canadian Forest Products Inc.
8. Bowater Shelburne Corporation
9. Bowater LaHave Corporation
10. St-Maurice River Drive Company Limited
11. Bowater Treated Wood Inc.
12. Canexel Hardboard Inc.
13. 9068-9050 Québec Inc.
14. Alliance Forest Products (2001) Inc.
15. Bowater Belledune Sawmill Inc.
16. Bowater Maritimes Inc.
17. Bowater Mitis Inc.
18. Bowater Guérette Inc.
19. Bowater Couturier Inc.

SCHEDULE "C"

18.6 CCAA Petitioners

1. AbitibiBowater Inc.
2. AbitibiBowater US Holding 1 Corp.
3. Bowater Ventures Inc.
4. Bowater Incorporated
5. Bowater Nuway Inc.
6. Bowater Nuway Mid-States Inc.
7. Catawba Property Holdings LLC
8. Bowater Finance Company Inc.
9. Bowater South American Holdings Incorporated
10. Bowater America Inc.
11. Lake Superior Forest Products Inc.
12. Bowater Newsprint South LLC
13. Bowater Newsprint South Operations LLC
14. Bowater Finance II, LLC
15. Bowater Alabama LLC
16. Coosa Pines Golf Club Holdings LLC

SCHEDULE "D"

PARTNERSHIPS

1. Bowater Canada Finance Limited Partnership
2. Bowater Pulp and Paper Canada Holdings Limited Partnership
3. Abitibi-Consolidated Finance LP

SCHEDULE "E"

U.S. DEBTORS

17. AbitibiBowater Inc.
18. AbitibiBowater US Holding LLC
19. Donohue Corp.
20. Abitibi Consolidated Sales Corporation
21. Abitibi-Consolidated Alabama Corporation
22. Alabama River Newsprint Company
23. Abitibi-Consolidated Corporation
24. Augusta Woodlands, LLC
25. Tenex Data Inc.
26. AbitibiBowater US Holding 1 Corp.
27. Bowater Ventures Inc.
28. Bowater Incorporated
29. Bowater Nuway Inc.
30. Bowater Nuway Mid-States Inc.
31. Catawba Property Holdings LLC
32. Bowater Finance Company Inc.
33. Bowater South American Holdings Incorporated
34. Bowater America Inc.
35. Lake Superior Forest Products Inc.
36. Bowater Newsprint South LLC
37. Bowater Newsprint South Operations LLC

38. Bowater Finance II, LLC

39. Bowater Alabama LLC

40. Coosa Pines Golf Club Holdings LLC

41. Bowater Canadian Forest Products Inc.

42. Bowater Canada Finance Corporation

43. Bowater Canadian Holdings Incorporated

44. Bowater Canadian Limited

45. AbitibiBowater Canada Inc.

46. Bowater LaHave Corporation

47. Bowater Maritimes Inc.

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. :

SUPERIOR COURT

Commercial Division
(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act,
R.S.C., c. C-36, as amended)

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.;

And

ABITIBI-CONSOLIDATED INC.;

And

BOWATER CANADIAN HOLDINGS INC.;

And

the other Petitioners listed on Schedules "A", "B" and "C"

Petitioners

And

ERNST & YOUNG INC.;

Monitor

NOTICE OF PRESENTATION

TO : SERVICE LIST

TAKE NOTICE that the Petition for the issuance of an initial order (Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act* ("CCAA"), sections 191 and ss. of the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 ("CBCA") and Petition for the issuance of a recognition order (Section 18.6 of the CCAA) will be presented for adjudication before one of the Honourable Judges of the Superior Court, sitting in practice in and for the District of Montreal, in Room **15.09** of the **Montreal Court House, 1 Notre-Dame St.**

East, on **April 17, 2009**, at **9:30 am** in the forenoon, or so soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, April 17, 2009

Stikeman Elliott

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners