CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

N°: 500-11-036133-094

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,

AND
The Ad Hoc Committee of the Senior Secured Noteholders and U.S. Bank National Association, Indenture Trustee for the Senior Secured Notes

Respondents

CONTESTATION OF THE AD HOC COMMITTEE OF SENIOR SECURED NOTE HOLDERS AND U.S. BANK NATIONAL ASSOCIATION, INDENTURE TRUSTEE FOR THE SENIOR SECURED NOTES TO PETITIONERS' MOTION FOR DIP ORDER

IN CONTESTATION TO PETITIONERS' MOTION FOR DIP ORDER, THE AD HOC COMMITTEE OF SENIOR SECURED NOTEHOLDERS (the "Senior Noteholders Committee") AND U.S. BANK NATIONAL ASSOCIATION, INDENTURE TRUSTEE FOR THE SENIOR SECURED NOTES (the "Notes Trustee") SUBMITS THE FOLLOWING:

A. OVERVIEW AND SUMMARY

1. Abitibi seeks approval of a US$100 million superpriority priming DIP. The DIP is intended to rank in priority and therefore to "prime" the security held by the holders of Senior Secured Notes (defined below). The Senior Secured Noteholders advanced approximately US$413 to Abitibi Consolidated Company of Canada ("**ACCC**") about one year ago (the "**Senior Secured Loan**"). With accrued interest, the approximate amount presently owing in respect of the Senior Secured Loan is US $445 million. Interest continues to accrue on the Notes at the rate of about US $5 million per month;

2. The Senior Secured Loan is secured by ACCC's interests in two hydro projects (the "**Hydro Assets**"):

   (i) ACCC's 60% interest in Manicouagan Power Company ("**MPCo**"), which owns and operates a 335 megawatt hydroelectric power facility on the Manicouagan River; and

   (ii) ACCC's 75% interest in ACH Limited Partnership ("**ACH**"), a joint venture with Caisse de depot et placement du Quebec for its Ontario hydro-electric generation facilities, which encompass eight hydroelectric generation facilities located in Ontario together with the shares of Abitibi Consolidated Hydro Inc, general partner of ACH Limited Partnership;

3. In addition to the Hydro Assets, the Senior Secured Noteholders have the benefit of additional security, including charges upon eleven pulp and paper mills, related equipment, intellectual property and other property (the "**Additional Collateral**" and collectively, the "**Senior Notes Security**");

4. The Abitibi Petitioners have announced letters of intent for the proposed sale of the Hydro Assets which are anticipated to produce net proceeds of sale of approximately US$ 538 million. This is the principal source of recovery on account of the Senior Secured Loan;

5. The Abitibi Petitioners seek a priming lien of US $100 million over the Senior Notes Security. The Abitibi Petitioners argue, notwithstanding the substantial cash balances according to their project cash flows, that they need a cushion through the proposed DIP Facility to protect against possible variances in their cash flows and to give confidence to their suppliers for the future;

6. The Abitibi Petitioners have described the proposed DIP facility as "a Bridge" to the receipt of the proceeds of sale of the Hydro Assets;

7. The proposed DIP facility is targeted at the Senior Secured Noteholders security on its most important and liquid collateral;

8. The Abitibi Petitioners have not satisfied the applicable tests for approval of a super-priority DIP facility, particularly a super-priority DIP facility of US $100 million which is not linked to the Abitibi Petitioners' cash flow projections or demonstrated need, in circumstances where there is no urgency, where the DIP facility must be repaid within seven months and where the DIP lender expressly requires that it be paid out of the proceeds of sale of the most significant collateral subject to the Senior Secured Loan – the Hydro Assets;

B. THE SENIOR SECURED NOTES

9. About one year ago, ACCC issued 13.75% senior secured notes due 2011 in the principal amount of US$413 (the "**Senior Secured Notes**");

10. The original (and current) outstanding amount under the Senior Secured Notes under the Trust Indenture is the principal amount of US$413 million together with accrued and past due interest of approximately US$28 million;

11. The Senior Secured Notes were issued under a Trust Indenture dated as of 1 April 2008 among ACCC, Abitibi Consolidated Inc.("**ACI**"), other guarantors including Les Explorations Terra Nova Ltée, The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3224112 Nova Scotia Limited, Donohue Recycling Inc., Marketing Donohue Inc., 1508756 Ontario Inc., 6169678 Canada Inc., 3834328 Canada Inc. and Abitibi-Consolidated Nova Scotia Inc. (namely all the Petitionners described in Schedule "A" of the Initial Order as the "**Abitibi Petitioners**", the "**Guarantors**") and Wells Fargo Bank, National Association as Trustee. The Trust Indenture is produced as exhibit **SN-1** (the "**Trust Indenture**");

12. Wells Fargo Bank, National Association was the collateral trustee (the "**Collateral Trustee**") under the Collateral Trust Agreement dated as of April 1, 2008 among ACI and ACCC and other guarantors from time to time, Wells Fargo Bank, National Association as Indenture Trustee (the "**Notes Trustee**") and Wells Fargo Bank, National Association as Collateral Trustee. A copy of the Collateral Trust Agreement is produced as exhibit **SN-2** (the "**Collateral Trust Agreement**");

13. Wells Fargo Bank, National Association has been replaced as Notes Trustee under the Trust Indenture and as Collateral Trustee under the Collateral Trust Agreement by U.S. Bank, National Association;

14. To secure the obligations of ACCC and the Guarantors under the Senior Secured Notes, ACCC, ACI and the Guarantors granted the Senior Notes Security to the Collateral Trustee;

15. The Senior Notes Security includes the Hydro Assets as well as: (i) ACCC's or AC's interests in eleven pulp and paper mills (the "**PPMs**"), (ii) other property (including equipment but excluding current assets) of ACCC and the Guarantors, (iii) ACI's intellectual property, and (iv) other property ("**Other Collateral**"). This is confirmed at paragraph 59 of the Petitioners' motion for approval of DIP financing in respect of the Abitibi Petitioners dated 27 April 2009 ("**DIP Motion**") and paragraphs 35, 36 and 37 of the Monitor's Third Report to the Court dated 27 April 2009 (the "**Monitor's Third Report**"). Copies of the principal security documents in respect of the Senior Secured Loan are produced *en liasse* as exhibits **SN-3**;

C. THE OTHER SECURED CREDITORS OF THE ACI GROUP

The Term Loan Facility

16. ACCC is a party to a 364-day senior secured term loan due March 30, 2009 (the "**Term Loan Facility**") with Goldman Sachs Credit Partners LLP as administrative agent, the current outstanding principal balance of which is approximately $347 million;

17. The Term Loan Facility is secured by the personal (movable) property (including accounts receivables and inventory) of ACCC, ACI and other Guarantors, and by a first lien (charge) on substantially all of the personal (movable) property of DCorp. and subsidiaries (including accounts receivables, inventory and equipment), the pledge of the stock or other equity interest of certain subsidiaries of the DCorp. and by the real estate relating to a mill owned by ARNC;

The Securitization Facility

18. ACCC participates in a securitization program (the "**Citi Securitization Program**"). It is described in pages 9 and following of the First Monitor's Report (the securitization program is intended to fund the working capital requirements of the Petitioners of ACI and DCorp.), as such receivables generated by the operation of ACCC and the operating businesses of DCorp. Group are sold to a securitization vehicle. The Securitization Program is for a principle amount of approximately $210 million;

19. Pursuant to the order of this Honourable Court dated 17 April 2009 (the "Initial Order"), the Citi Securitization Program is protected and given absolute priority in accordance with its terms;

D. THERE ARE THREE ABITIBI SECURED CREDITOR GROUPS

20. Accordingly, subject to verification and obtaining further documentary evidence from the Petitioners, it would appear from facts divulged by the Petitioners that:

    (a) Receivables under the Citi Securitization Program are unavailable to creditors of the ACI Group;

    (b) Other receivables and the inventory of the ACI Group are subject to the Term Loan Facility security; and

    (c) The Hydro Assets and Additional Collateral (the "**SN Collateral**") are subject to the Senior Notes Security.

E. POSSIBLE ASSET SALES AND THE IMPORTANCE OF THE HYDRO ASSETS

21. As stated in paragraphs 43 and 44 of the First Monitor's Report, on March 13, 2009 ACCC signed a non-binding agreement in principle with Hydro-Québec for the purchase by Hydro-Québec of ACCC's 60% interest in MPCo for gross proceeds of C$615 million;

22. The Monitor anticipates that upon closing approximately US $390 million would be available as net proceeds of the sale, without providing any details concerning the balance (the "**MPCo sale**"). Attached as exhibit **SN-4** is a copy of AbitibiBowater's press release dated 13 March 2009 in respect of the MPCo sale. Save for the Monitor's reports and Abitibi Petitioners motion material this appears to be the only public information with respect to the MPCo sale;

23. The Monitor also indicated in his report that Abitibi-Consolidated Hydro Inc. had accepted a proposal to sell its 75% equity interest in ACH to a non identified energy producer which transaction will result in gross proceeds of approximately C$197 million. to be available at closing (the "**ACH Sale**"). According to the Monitor's Third Report that sale, if achieved, is anticipated to produce net proceeds of approximately US $148 million. Attached as exhibit **SN-5** is a copy of AbitibiBowater's press release dated 22 December 2008 in respect of the proposed ACH sale. Again, this appears to be the only public information relating to the ACH sale;

24. The combined available net sales proceed from the Hydro Assets is accordingly anticipated to be approximately US $538 million;

25. The principal amount owing to the Senior Secured Noteholders is US $413 million. Accrued and unpaid interest is approximately US $28 million. Thus the amount presently owing, excluding continuing interest and costs, is approximately US $441 (approximately C$531 based on the Bank of Canada published exchange rate as of 29 April 2009 (1.2030)). Interest continues to accrue on the Senior Secured Notes at the rate of approximately US $157,743 per day. The interest

payable for the month of May 2009 will be approximately US $4.89 million. These calculations exclude default interest. Hence interest continues to accrue on the Senior Secured Notes at the rate of approximately US $5 million (C$6) per month. By the end of July 2009 the amount owing to the Senior Secured Noteholders will have grown to over US $460 million (C$553);

26. As indicated in the First Monitor Report and paragraphs 250 to 254 of the Petition for the issuance of an initial order there is a declining long term demand for newsprint, a continued decline of demand for coated mechanical papers primarily due to sharp declines in advertising, a decrease in global demand for pulp primarily from offshore markets, lumber prices and demand are depressed due to the slowdown in the construction of new homes in the U.S. market;

27. It is a well publicized fact that the pulp and paper industry is in a crisis in North America and that there is an over capacity of production assets in this industry which may have a substantial impact on the value of the PPMs which form part of the SN Collateral Pool;

28. Accordingly, the Hydro Assets are the most liquid assets subject to the Senior Notes Security and they are in the process of being sold by the Petitioners;

29. The Abitibi Petitioner's CBCA recapitalization provides for the sale of the Hydro Assets and the repayment in full of the Senior Secured Noteholders. Attached as exhibit **SN-7** is AbitibiBowater's press release dated 13 March 2009 explaining the proposed recapitalization;

30. The value of the Senior Notes Security lies primarily in the Hydro Assets. The rest of the SN Collateral is mainly fixed assets and eleven PPMs, the value of which is dependant on the success of the overall restructuring efforts of the Abitibi group and the state of the pulp and paper industry in Canada failing which their value is certainly impaired;

F. THE PROPOSED DIP FINANCING

31. The Abitibi Petitioners seek on order authorizing them to enter into a letter loan agreement between Bank of Montreal and ACI and Donahue Corp. ("**D Corp.**") in respect of a proposed US $100 million super-priority, senior secured debtor-in-possession credit facility (the "**Proposed DIP Facility**") and a related loan guarantee from Investissement Quebec ("**IQ**") together with amendments to the Amended Initial Order;

32. The Proposed DIP Agreement is before the Court. Amongst its significant provisions are the following:

    (a) The obligations of ACI and D Corp. under the Proposed DIP Facility will be secured by a court ordered super-priority charge ("**The Proposed DIP Charge**") upon all of the property of the Abitibi Petitioners, including D Corp.

(b) The Proposed DIP Charge will rank in priority to the Senior Notes Security and the security granted in respect of the Term Loan Facility but will not rank in priority to the rights provided in connection with the Citi Securitization Program.

(c) The Proposed DIP Charge will also apply to the unencumbered assets of the Abitibi Petitioners which is estimated by the Abitibi Petitioners to have a value in excess of US $450 million.

(d) The right of the Abitibi Petitioners to draw under the DIP Facility is substantially unconstrained and not linked to the cash flows filed by the Abitibi Petitioners or to be filed by the Abitibi Petitioners.

(e) In the context of these proceedings, the term of the Proposed DIP Facility is short. Repayment of the DIP Facility in full is required by 1 November 2009. (Notwithstanding the 30 April 2020 maturity date, the Proposed DIP Facility provides that it is a specified event of default if the Borrowers failed to repay the DIP Facility on or before November 1, 2009.)

(f) The Proposed DIP Facility Agreement provides for advances of up to $10 million to D Corp. where that obligation is secured by the DIP Charge upon the Abitibi Petitioners' property.

(g) The Proposed DIP Agreement contemplates that the full amount of the DIP Facility may be drawn by June despite the Abitibi Petitioners actual circumstances or needs (see availability – Proposed DIP Facility, page 3 and Schedule B)

(h) The Proposed DIP Facility Agreement requires that the Borrowers make mandatory pre-payments of the outstanding DIP Loans to the extent of 100% of the net cash proceeds of:

(1) Sales of assets except for sales of accounts receivable pursuant to the CITI Securitization Program of any replacements securitization program, sales of working capital collateral in the ordinary course of business and the sale of certain timberlands;

(2) Insurance proceeds in respect of collateral in the case where the insured collateral was considered a total loss;

(3) Any payment by a governmental authority in respect of any expropriation claim; and

(4) Any direct or indirect sale of the Borrowers' interest in the assets of MPCo. (the Borrowers' interest in the assets of

MPCo. are specifically charged in favour of the Senior Noteholders and form the majority of the Hydro Assets.)

(In essence, if asset sales materialize quickly the proposed DIP Loans will be repaid virtually immediately and, based on the mandatory pre-payment terms, this DIP Financing will practically have been provided by the Senior Noteholders.)

(i) Any amounts borrowed and repaid under the DIP Facility may not be reborrowed.

(j) The DIP Facility provides extraordinary enforcement rights. It appears that approval of the DIP Facility Agreement could effect the liquidation of the Abitibi Petitioners businesses and assets in the event that the obligations proposed to be secured by the DIP Facility are not repaid by 1 November 2009.

(k) Notwithstanding that the maximum amount available under the Proposed DIP Facility Agreement is US$87.5 million, the DIP Facility Agreement provides for a charge upon all of the Abitibi Petitioners' property to the extent of C$200 million. (Conclusion 61.3 of the Petitioners' conclusions.)

(l) The proposed DIP Facility Agreement calls for the receipt by the DIP Lender of such certificates representing the issued and outstanding equity interests MPCo and ACH held by Abitibi Consolidated Company of Canada accompanied by undated transfer powers of attorney duly executed and blank as the loan parties may be able to deliver using commercially reasonable best efforts. These are pledged to the Collateral Agent for the benefit of the Senior Secured Noteholders;

G. WHAT IS THE RATIONALE FOR A DIP FACILITY NOW?

33. In its preliminary report to the Court, the Monitor said that ACI Group should have sufficient short-term liquidity through the CITI Securitization Program;

34. However, the Monitor said that the ACI Group will need to secure new DIP financing to fund itself for the duration of the CCAA proceeding. No indication has been given by the Monitor or by Abitibi as to the expected duration of the CCAA proceedings;

35. Appended to the Monitor's Third Report is a 19-week cash flow for ACI for the period ending 19 July 2009 (the "**27 April 2009 Cash Flow**"). The 27 April 2009 Cash Flow assumes an advance under the Proposed DIP Facility of $30 million during the week ending 3 May 2009 and a corresponding payment of DIP interest and fees of approximately $4.4 million for a net advance to ACI of approximately

$26 million the whole as appears from the 27 April Cash Flow produced herewith as exhibit **SN-6**;

36. The 27 April 2009 Cash Flow is significantly better than the 24 April 2009 Cash Flow. The 27 April 2009 Cash Flow shows that with a net $26 million advance under the Proposed DIP Facility, ACI will have a positive cash balance during the 13 weeks of not less than approximately $54 million;

37. The 27 April 2009 Cash Flow also shows the weekly ending cash balance assuming no DIP facility is authorized. That Cash Flow projects that ACI will have not less than $28 million in available cash in any week during the cash flow period. That lowest point is the week ending 3 May 2009. Thereafter, ACI is projected to have available cash during each week of not less than approximately $33 million and as much as $71 million during the cash flow period, after payment of its projected expenditures;

38. The Abitibi Petitioners have said that they need DIP financing during the pendency of these proceedings for two primary purposes:

    (a) to provide sufficient liquidity for normal working capital purposes; and

    (b) to demonstrate to customers and suppliers that the ACI Group will continue to be able to meet its obligations during the course of the CCAA proceedings thus assist in the re-establishment of more normalized trade credit terms. [Abitibi Petitioners' motion for approval of DIP Financing, paragraph 9]

39. The Abitibi Petitioners' motion for approval of the Proposed DIP Facility is not premised on a demonstrable need for cash for working capital purposes. It is premised on:

    (a) concern that the projected available cash without availability under the Proposed DIP Facility does not provide a sufficient "cushion";

    (b) concern that projected revenues from the CITI Securitization Program may not be realized;

    (c) the argued need to demonstrate to suppliers that ACI has sufficient liquidity to meet its obligations; and

    (d) the need for increased liquidity in the event that ACI's business increases.

40. Again, the Abitibi Petitioners rest their argument for approval of the Proposed DIP Facility on this – without the Proposed DIP Facility the Abitibi Petitioners would:

(a) lack access to sufficient operating credit to maintain normal operations and respond to any recovery in demand of products;

(b) be significantly impaired in their ability to operate in the ordinary course; and

(c) face an increase in the risk of unexpected interruptions in the business should unanticipated shortfalls in cash flow occur.

None of these concerns are consistent with the improving cash flow projections before the Court and are based on concerns rather than evidence or facts;

41. In its Third Report to the Court, the Monitor has said that its view is that a cash balance in the range of $28.1 million is not sufficient for an organization of the scale and size of ACI. The Monitor suggests that a reasonable cash reserve is required to ensure that ACI can meet each of its fixed weekly and bi-monthly payroll commitments and to purchase the supplies and materials necessary to keep its mills operational;

42. In addition, in its Third Report to the Court, the Monitor suggests that a "certain level of cash reserve" is required to provide for potential variations in the receipts from the Citi Securitization Program; [Monitor's Third Report, paragraph 49.]

43. Nowhere is it said in the Monitor's Reports what is the acceptable cash balance to be maintained;

44. In its recommendation the Monitor states that it is of the view that ACI needs to raise DIP financing in order to stabilize its operations and ensure that it has adequate cash reserves to fund its operating disbursements and payroll costs;

45. In that regard, the Monitor says that the Proposed DIP Facility provides ACI with significant funding of $100 million on financial terms and conditions that are competitive, given the current Market conditions and, accordingly, the Monitor recommends that the Proposed DIP Facility be approved; [Monitor's Third Report to the Court, paragraph 62.]

46. Neither the Abitibi Petitioners nor the Monitor say that there is an urgent need for DIP financing, though it is conceded that both the Abitibi Petitioners and the Monitor say that the Abitibi Petitioners need to raise DIP financing;

47. Further, there is no evidence that an immediate cash injection of $30 million is required. Neither the Abitibi Petitioners nor the Monitor say so;

48. Also, neither the 24 April 2009 nor the 27 April 2009 Cash Flows contemplated advances of more than $30 million during the cash flow period. On the other hand the Proposed DIP Facility Agreement contemplates advances of the full amount available ($87.5 million) by 26 June 2009;

49. Basically, the Abitibi Petitioners' argument is that this additional $100 million would make life easier. That is not a recognized ground for the issuance of a super-priority DIP financing order;

H. COLLATERAL VALUE

50. In its DIP motion the Abitibi Petitioners say that the estimated value of the assets securing the Senior Secured Notes is in excess of US $1.3 billion, as compared to an amount owing of about of US $441 million;

51. This estimate of value is contained in one paragraph of the Abitibi Petitioners DIP Motion (paragraph 61) and in exhibit R-4 a one page schedule;

52. The estimated value is based in part on non-binding letters of intent in respect of the possible sale of the Abitibi Petitioners' interest in MPCo and ACH. The letters of intent are admittedly not binding and are not before the Court;

53. The balance of the estimate is stated to be a value, excluding working capital, of about US $746 million for nine of the pulp and paper mills that are located in Canada and are operating. That estimate is said to be based on applying a "conservative multiple" to management's 2009 projected "earnings before interest, taxes, depreciation and amortization". No analysis or opinion in respect of that estimate of value is provided;

54. None of the possible DIP Lenders in respect of the possible DIP transactions that are described in the Abitibi Petitioners DIP Motion Record apparently was prepared to lend any money to the Abitibi Petitioners except on a super-priority basis, in priority to the Senior Note Security and the security held by the Term Lenders;

55. The Senior Noteholders do not have sufficient information to come to an informed view of the value of their collateral. The expression of value provided by the Abitibi Petitioners is sketchy at best. Coupled with the fact that no lender was prepared to make advances to the Abitibi Petitioners except on a super-priority basis leads to the conclusion that, absent further and more detailed information about value, it is appropriate to consider any super-priority financing as potentially impairing the recoveries of Senior Noteholders;

56. The Monitor has not expressed a view as to the value of the collateral subject to the Senior Note Security. The Monitor has only made reference to the announced non-binding agreements in principle with Hydro Quebec for the sale of ACCCs 60% interest in MPCo for net proceeds of sale of $390 million and net proceeds of sale from the sale of ACCCs 75% equity interest in ACH of $148 million. Otherwise, the Monitor has only referred to the net book value of the Abitibi Petitioners remaining assets subject to the Senior Note Security;

I. PROTECTIONS

57. Despite the foregoing and the circumstances of this case, if this Honourable Court is inclined to authorize DIP financing on some basis, it is just and equitable that the following protections be provided to the Notes Trustee and to the Senior Secured Noteholders:

(a) The entitlement of the Abitibi Petitioners to draw under any DIP facility should be limited to what is demonstrably necessary and directly linked and limited to the Company's cash flow projections approved by the Monitor and filed by the Court. Any increase or variation should be subject to Court approval.

(b) The Senior Secured Noteholders should be repaid from the proceeds of sale of the Hydro Assets as soon as those proceeds are received.

(c) It appears from the Abitibi Petitioners DIP Motion that the Abitibi Petitioners have significant unencumbered assets. It is fair and reasonable that any DIP lender should be obliged to look first to such unencumbered assets.

(d) The Trustee, the Collateral Agent, and the Senior Secured Noteholders should have the benefit of a priority adequate protection charge upon all assets, including the assets of DCorp., to secure any impairment of their recoveries as a consequence of the imposition of a super-priority DIP charge. Such adequate protection charge should rank immediately after any court-ordered super-priority DIP charge upon unencumbered assets, including the property of DCorp., and, in respect of the assets subject to the Term Lenders security, immediately after that security.

(e) There should be equality of treatment as between the Senior Secured Noteholders and the Term Lenders. To that end, any super-priority DIP Lender should be obliged to look rateably to the collateral subject to the Term Lender's security and the Senior Notes Security after looking to the unencumbered assets. To the extent that any super-priority DIP Lender look disproportionately to the collateral subject to the Senior Notes Security then the Note Trustee, the Collateral Agent and the Senior Secured Noteholder should be subrogated to the rights of the DIP Lender in order to effect an equalizing payment and recovery.

(f) The extraordinary and arbitrary realization process contemplated by the proposed DIP Facility Agreement should not be approved.

(g) Given the rights and interests of the Trustee, Collateral Agent and Senior Secured Noteholder they should be provided with the same level of information as any DIP lender and at the same time. In addition, as in the case of the Proposed DIP Facility the Abitibi Petitioners should be obliged to pay the legal and other professional fees and expenses incurred by the Committee, the Notes Trustee and the Collateral Agent.

J. CONTESTATION OF THE DIP ORDER SOUGHT BY THE PETITIONERS

58. In light of the above, the Senior Noteholders' Committee and U.S. Bank National Association respectfully submit that the Petitioners' Motion be dismissed, as it is unfounded in fact and in law;

59. In the alternative, should this Court come to the conclusion that the Abitibi Petitioners be authorized to enter into the a DIP financing agreement, the Senior Noteholders' Committee and U.S. Bank National Association respectfully submit that the Dip Order includes the protection measures detailed in paragraph 57 and that the initial Order already amended be amended further to give effect to these measures;

WHEREFORE, MAY IT PLEASE THIS COURT TO:

DISMISS Petitioners' Motion for DIP Order,

GRANT the Senior Noteholders' Committee and U.S. Bank National Association's contestation;

IN THE ALTERNATIVE, in the event that a DIP Order is granted:

(a) **ORDER** that the entitlement of the Abitibi Petitioners to draw under any DIP facility be limited to what is demonstrably necessary and directly linked and limited to the Company's cash flow projections approved by the Monitor and filed with the Court.

(b) **ORDER** that any increase or variation in drawings under the DIP Facility is subject to Court approval.

(c) **ORDER** that any repayment of the DIP facility be made from the proceeds of the sale of the Petitioners' unencumbered assets before looking to any of the SN Collateral;

(d) **ORDER** that an adequate protection charge (the "SN Adequate Protection Charge"), lien and hypothec is created and charges and hypothecates all of the Petitioners assets (including the assets of DCorp.) in favour of the Trustee, the Collateral Agent, and the Senior Secured Noteholders to secure any impairment of their recoveries as a consequence of the imposition of a super-priority DIP charge.

(e) **ORDER** that the SN Adequate Protection Charge rank:

(1) in respect of unencumbered assets, including the assets of DCorp., immediately after the DIP charge; and

(2) in respect of encumbered assets, immediately after existing encumbrances;

(f) **ORDER** that in the event that the Trustee, the Collateral Agent, and the Senior Secured Noteholders' SN Collateral is used to repay the DIP Financing in total or in part, that the Trustee, the Collateral Agent, and the Senior Secured Noteholders are subrogated to the rights of the DIP Lender and its super priority charge in order to effect an equalizing payment and recovery;

(g) **ORDER** the Petitioners to pay the legal and other professional fees and expenses incurred by the Senior Noteholders' Committee, the Notes Trustee and the Collateral Agent;

THE WHOLE WITH COSTS

Montreal, April 30, 2009

Borden Ladner Gervais

Borden Ladner Gervais LLP
Attorneys for the Ad Hoc Committee of the Senior Secured Noteholders and U.S. Bank National Association, Indenture Trustee for the Senior Secured Notes

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Respondents

LIST OF EXHIBITS

ORIGINAL

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