CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. : 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 herein

Petitioners

And

ERNST & YOUNG INC.,

Monitor

MOTION FOR THE ISSUANCE OF AN ORDER AUTHORIZING THE SALE OF CERTAIN ASSETS OF THE PETITIONERS
(Section 11 of the *Companies' Creditors Arrangement Act* ("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:

A. PREAMBLE

1. On April 17, 2009, this Honourable Court issued an order (as amended and restated, the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") in respect of (i) Abitibi-Consolidated Inc. ("**ACI**") and subsidiaries thereof (collectively with ACI, the "**Abitibi Petitioners**")[1]; (ii) Bowater Canadian Holdings Inc. and subsidiaries thereof (collectively, the "**Bowater Petitioners**")[2] and (iii) certain partnerships.[3]

2. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. and certain of their U.S. and Canadian subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code, in the United States Bankruptcy Court for the District of Delaware and on April 17, 2009, ABH and the certain Petitioners (collectively with ABH, the "**18.6 Petitioners**" and collectively with the Abitibi Petitioners and the Bowater Petitioners, the "**Petitioners**")[4] obtained orders under s. 18.6 of the CCAA in respect of the Chapter 11 Proceedings.

3. The present Motion seeks the Court's permission to complete three transactions (collectively, the "**Transactions**") for the sale of timberland assets which belong to ACI and Abitibi-Consolidated Company of Canada ("**ACCC**" and collectively with ACI "**Abitibi**"), the whole as more fully described below. Each of the Transactions are subject to court approval.

4. The Petitioners also wish to obtain leave of this Court in order to apply for the necessary Vesting Order as part of the closing of the Transactions.

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[1] The Abitibi Petitioners are Abitibi-Consolidated Inc., Abitibi-Consolidated Company of Canada, 3224112 Nova Scotia Limited, Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated., 4042140 Canada Inc., Donohue Recycling Inc., 1508756 Ontario Inc., 3217925 Nova Scotia Company, La Tuque Forest Products Inc., Abitibi-Consolidated Nova Scotia Incorporated, Saguenay Forest Products Inc., Terra Nova Explorations Ltd., The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd. and 9150-3383 Québec Inc.

[2] The Bowater Petitioners are Bowater Canadian Holdings Incorporated., Bowater Canada Finance Corporation, Bowater Canadian Limited, 3231378 Nova Scotia Company, AbitibiBowater Canada Inc., Bowater Canada Treasury Corporation, Bowater Canadian Forest Products Inc., Bowater Shelburne Corporation, Bowater LaHave Corporation, St. Maurice River Drive Company Limited, Bowater Treated Wood Inc., Canexel Hardboard Inc., 9068-9050 Québec Inc., Alliance Forest Products (2001) Inc., Bowater Belledune Sawmill Inc., Bowater Maritimes Inc., Bowater Mitis Inc., Bowater Guérette Inc. and Bowater Couturier Inc.

[3] The partnerships are Bowater Canada Finance Limited Partnership, Bowater Pulp and Paper Canada Holdings Limited Partnership and Abitibi-Consolidated Finance LP.

[4] The 18.6 Petitioners are AbitibiBowater Inc., AbitibiBowater US Holding 1 Corp., Bowater Ventures Inc., Bowater Incorporated, Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Catawba Property Holdings LLC, Bowater Finance Company Inc., Bowater South American Holdings Incorporated, Bowater America Inc., Lake Superior Forest Products Inc., Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, Bowater Finance II, LLC, Bowater Alabama LLC and Coosa Pines Golf Club Holdings LLC.

B. ASSETS AND SALES PROCESS

5. The Transactions contemplate the sale of 121,000 hectares (ha) of Abitibi timberlands located in the Province of Quebec (collectively, the "**Timberland Assets**"), that is, less than 1% of the total timber sourced by the Petitioners in the Province of Quebec:

   - 25,000 ha representing approximately 140 parcels in the Mauricie region, with an inventory of approximately 2,310,000 m³ of hardwood (44%) and softwood (56%) (the "**Mauricie Assets**");

   - 28,000 ha representing approximately 82 parcels in the Charlevoix/Saguenay region, with an inventory of approximately 2,705,000 m³ of hardwood (48%) and softwood (52%) (the "**Charlevoix Assets**");

   - 68,000 ha in the Côte-Nord region, with an inventory of approximately 4,140,000 m³ of hardwood (9%) and softwood (91%) (the "**Côte-Nord Assets**");

6. Prior to its April 17, 2009 filing under the CCAA, Abitibi contemplated selling its Timberland Assets piece by piece if "en bloc" offers were too low. On or about March 16, 2009, Abitibi received a $14 million offer for the Mauricie Assets from Société de gestion d'actifs forestiers Solifor ("**Solifor**"), a division of the Fonds de solidarité de la Fédération des travailleurs du Québec (the "**FSFTQ**"). This offer was rejected by Abitibi.

7. Abitibi then decided to sell the Charlevoix Assets and the Côte-Nord Assets with the Mauricie Assets.

8. On or about March 17, 2009, Abitibi received a $61 million offer for the Timberland Assets from another bidder. Abitibi was prepared to accept this offer but the crisis leading to its CCAA filing precluded it from devoting the time and resources to doing so and the offer expired.

9. The sales process of the Timberland Assets continued post-filing under the Monitor's supervision. At the end of May, 2009, when Domtar announced that it planned to sell 150,000 ha block of timberlands, Abitibi, after discussions with the Monitor, agreed to move forward with an expedited sales process by contacting the most likely potential bidders while the market window appeared to be open, the whole as will be more fully outlined in a report of the Monitor expected to be filed in support of the present Motion (the "**Twelfth Monitor's Report**").

10. Abitibi contacted several bidders for the sale of its Timberland Assets however the only bid initially submitted was by the FSFTQ. Eventually, the FSFTQ and Aménagements forestiers Portneuf ("**Portneuf**") submitted a $53 million joint bid which was accepted by Abitibi, the whole as will be more fully detailed in the Twelfth Monitor's Report.

C. CONTEMPLATED TRANSACTIONS

1. *Mauricie Transaction*

11. On July 27, 2009, ACI and ACCC, as vendors, entered into a *Purchase and Sale Agreement – Mauricie Timberland Assets* with Solifor Mauricie, Société en commandite ("**Solifor Mauricie**") as purchaser, as amended by letter agreement dated July 29, 2009 among the same parties (the "**Mauricie Agreement**"), copy of which is communicated as **Exhibit P-1**.

12. Pursuant to the Mauricie Agreement, Solifor Mauricie is purchasing the Mauricie Assets, consisting of the immovable properties described in Schedule 1.1(ee) of the Mauricie Agreement together with all standing timber situated thereon and/or related thereto and all buildings, structures, erections, appurtenances, fixtures, and other improvements owned by ACI and ACCC and situated on, in, over or under such immovable properties, as well as all ACI and ACCC's right, title and interest in the following assets in connection with such immovable property:

    (a) the Books and Records, as listed in Schedule 1.1(e) of the Mauricie Agreement;

    (b) the Contracts, as listed in Schedule 1.1(n) of the Mauricie Agreement; and

    (c) all other movable property of ACI and ACCC located as of July 27, 2009 on the Mauricie Assets;

    in each case to the exclusion, without limitation, of the Excluded Assets, as more fully described at Section 1.1(q) of the Mauricie Agreement.

13. The price for the sale of the Mauricie Assets from ACI and ACCC to Solifor Mauricie is $27 million.

2. *Charlevoix Transaction*

14. On July 27, 2009 ACI and ACCC, as vendors, entered into a *Purchase and Sale Agreement - Charlevoix Timberland Assets* with Solifor Charlevoix-Saguenay, Société en Commandite ("**Solifor Charlevoix**") as purchaser, as amended by letter agreement dated July 29, 2009 among the same parties (the "**Charlevoix Agreement**"), copy of which is communicated as **Exhibit P-2**.

15. Pursuant to the Charlevoix Agreement, Solifor Charlevoix is purchasing the Charlevoix Assets, consisting of the immovable properties described in Schedule 1.1(i) of the Charlevoix Agreement together with all standing timber situated thereon and/or related thereto and all buildings, structures, erections, appurtenances, fixtures, and other improvements owned by ACI and ACCC and situated on, in, over or under such immovable properties, as well as all ACI and ACCC's right, title and interest in the following assets in connection with such immovable property:

    (a) the Books and Records, as listed in Schedule 1.1(f) of the Charlevoix Agreement;

(b) the Contracts, as listed in Schedule 1.1(n) of the Charlevoix Agreement; and

(c) all other movable property of ACI and ACCC located as of July 27, 2009 on the Charlevoix Assets;

in each case to the exclusion, without limitation, of the Excluded Assets, as more fully described at Section 1.1(q) of the Charlevoix Agreement.

16. The price for the sale of the Charlevoix Assets from ACI and ACCC to Solifor Charlevoix is $20 million.

3. *Côte-Nord Transaction*

17. On July 27, 2009, ACCC, as vendor, entered into a *Purchase and Sale Agreement – Côte-Nord Timberland Assets* with 3908666 Canada Inc. ("**3908666**", a subsidiary of Portneuf) as purchaser, as amended by letter agreement dated July 29, 2009 among the same parties (the "**Côte-Nord Agreement**"), copy of which is communicated as **Exhibit P-3**.

18. Pursuant to the Côte-Nord Agreement, 3908666 is purchasing the Côte-Nord Assets, consisting of the immovable properties described in Schedule 1.1(n) of the Côte-Nord Agreement together with all standing timber situated thereon and/or related thereto and all buildings, structures, erections, appurtenances, fixtures, and other improvements owned by ACCC and situated on, in, over or under such immovable properties, as well as all ACCC's right, title and interest in the following assets in connection with such immovable property:

(a) the Books and Records, as listed in Schedule 1.1(e) of the Côte-Nord Agreement;

(b) the Contracts, as listed in Schedule 1.1(m) of the Charlevoix Agreement; and

(c) all other movable property of ACCC located as of July 27, 2009 on the Côte-Nord Assets;

in each case to the exclusion, without limitation, of the Excluded Assets, as more fully described at Section 1.1(p) of the Côte-Nord Agreement.

19. The price for the sale of the Côte-Nord Assets from ACCC to 3908666 is $6 million.

D. <u>PROCEDURAL CONSIDERATIONS</u>

20. Pursuant to sections 6.2(d) of each of the Agreements, the Purchasers have until August 17, 2009 to complete their review of title and related due diligence matters prior to closing. It is proposed that upon closing conditions being satisfied, the parties shall close the transaction with the purchaser price being held in escrow subject only to the application for a vesting order vesting title to the assets being conveyed pursuant to each Agreement in the Purchasers.

21. The mechanic proposed for accomplishing this objective is for the Monitor to file

with the Court a Certificate substantially in the form of the draft Certificate communicated as **Exhibit P-4**, upon the parties advising the Monitor that the Transactions have been completed subject only to the issuance of a vesting order substantially in the form of the draft vesting order communicated as **Exhibit P-5**.

22. The Petitioners are not aware of any party having a lien or charge over the assets to be conveyed pursuant to the Transactions save and except the charges created pursuant to these CCAA proceedings. The Service List and any parties with an apparent interest in the assets being conveyed whose possible interest is discovered by the Purchasers as a result of their due diligence process (who is not already on the Service List maintained in these proceedings) will be served with Notice of the application for the Vesting Order and the Vesting Order provides that the interest of any party in the property being conveyed is transferred to the proceeds. Accordingly, the Petitioners submit that no party is prejudiced by the Transactions as proposed.

E. GROUNDS FOR THIS MOTION

23. The Timberland Assets are not required to continue the operations of the Petitioners, nor are they vital for the Petitioners to successfully restructure their business.

24. The proposed transactions involving the Timberland Assets are on attractive terms in the current marketplace and will provide the Petitioners with needed liquidity.

25. The Petitioners are not aware of any existing security on the Timberland Assets.

26. The Petitioners are therefore of the view that the sale of the Timberland Assets will benefit the Petitioners' creditors as a whole.

27. The Petitioners respectfully submit that this Motion should be granted in accordance with its conclusions.

28. The present Motion is well founded in fact and in law.

WHEREFORE, MAY THIS COURT:

1. **GRANT** this Motion for the Issuance of an Order Authorizing the Sale of Certain Assets of the Petitioners (the "**Motion**").

2. **EXEMPT**, if applicable, the Petitioners from having to serve this Motion and from any notice or delay of presentation.

3. **ORDER** that the terms and conditions of the following are approved:

   (i) a certain *Purchase and Sale Agreement - Mauricie Timberlands Assets* in respect of timberland assets located in the Mauricie region (the "**Mauricie Assets**") by and among Abitibi-Consolidated Inc. ("**ACI**") and Abitibi-Consolidated Company of Canada ("**ACCC**"), as vendors, and Solifor Mauricie, société en commandite ("**Solifor Mauricie**") as purchaser (the "**Mauricie Agreement**");

(ii) a certain *Purchase and Sale Agreement - Charlevoix Timberland Assets* in respect of timberland assets in the region of Charlevoix/Saguenay (the "**Charlevoix Assets**"), by and among, ACI and ACCC, as vendors, and Solifor Charlevoix-Saguenay, Société en Commandite ("**Solifor Charlevoix**") as purchaser (the "**Charlevoix Agreement**"); and

(iii) a certain *Purchase and Sale Agreement - Côte-Nord Timberland Assets* in respect of timberland assets located in the Côte-Nord region (the "**Côte-Nord Assets**"), by and between ACCC as vendor and 3908666 Canada Inc. ("**390866**") as purchaser (the "**Côte-Nord Agreement**").

(Solifor Mauricie, Solifor Charlevoix and 390866 being collectively referred to as the "**Purchasers**" and the Mauricie Agreement, the Charlevoix Agreement and the Côte-Nord Agreement being collectively referred to as the "**Agreements**").

4. **ORDER AND DECLARE** that Petitioners are authorized to implement and complete the transactions contemplated in the Agreements (the "**Transactions**"), with such alterations, amendments, deletions or additions as the parties thereto may agree to with the consent of the Monitor, and to perform the obligations contained in the Agreements.

5. **ORDER** that in completing the Transactions, subject to the terms and conditions of the Agreements, the Petitioners be authorized:

   (a) to execute the Agreements and to execute and deliver any documents and assurances governing or giving effect to the Agreements as the Petitioners, in their discretion, may deem to be reasonably necessary or advisable to conclude the Transactions, including the execution of such deeds, contracts or documents, as may be contemplated in the Agreements and all such deeds, contracts or documents are hereby ratified, approved and confirmed; and

   (b) to take such steps as are, in the opinion of the Petitioners, necessary or incidental to the performance of their obligations pursuant to the Agreements.

6. **ORDER AND DECLARE** that the Order to be rendered on the Motion shall constitute the only authorization required by the Petitioners to proceed with the Transactions and that no shareholder or regulatory approval shall be required in connection with the Transactions contemplated in the Agreements.

7. **ORDER AND DECLARE** that the leave be reserved to the Petitioners or the Purchasers to apply for a vesting order substantially in the form of the draft Vesting Order attached as Exhibit P-5 upon the Monitor filing with the Court a Certificate (the "Monitor's Certificate") substantially in the form of Exhibit P-4 certifying that the Agreement or Agreements as the case may be have been completed subject only to the obtaining of a Vesting Order.

8. **ORDER AND DIRECT** the Monitor to file with the Court a copy of the Monitor's Certificate.

9. **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, July 29, 2009

Stikeman Elliott LLP

Stikeman Elliott LLP
Attorneys for the Petitioners

AFFIDAVIT

I, the undersigned, Claude St-Laurent, having my principal place of business at Suite 800, 1155 Metcalfe Street, Montréal, Quebec, H3B 5H2 solemnly declare the following:

1. I am Senior legal counsel of AbitibiBowater Inc.

2. All the facts alleged in the *Motion of the Issuance of an Order Authorizing the Sale of Certain Assets of the Petitioners* are true.

AND I HAVE SIGNED

Claude St-Laurent

CLAUDE ST-LAURENT

Solemnly declared before me at Montréal, on the 29th day of July, 2009

GLadouceur

Commissioner for oaths

Commissaire à l'Assermentation
GENEVIÈVE LADOUCEUR
#166 065
Tous les Districts

NOTICE OF PRESENTATION

TO : **SERVICE LIST**

TAKE NOTICE that the *Motion fo the Issuance of an Order Authorizing the Sale of Certain Assets of the Petitioners* will be presented for adjudication before the Honourable Judge Clément Gascon of the Superior Court, sitting in practice in and for the District of Montreal, in a Room **to be announced** of the **Montreal Court House, 1 Notre-Dame St. East**, on **August 4, 2009**, at **11:00 a.m.** in the forenoon, or so soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, July 29, 2009

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

SUPERIOR COURT
Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

In the matter of Plan of Compromise or Arrangement of:

ABITIBIBOWATER INC. ***et al***

Petitioners

- and –

ERNST & YOUNG INC.

Monitor

BS0350 **n/dos.:** 041053-1170

MOTION FOR THE ISSUANCE OF AN ORDER AUTHORIZING THE SALE OF CERTAIN ASSETS OF THE PETITIONERS, AFFIDAVIT AND NOTICE OF PRESENTATION

ORIGINAL

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