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*)

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

MOTION FOR AN ORDER EXTENDING THE STAY PERIOD
(Sections 9 and 11 of the *Companies' Creditors Arrangement Act,* R.C.S. 1985 c. C-36)

TO THE HONOURABLE CLÉMENT GASCON J.S.C. OR 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:

BACKGROUND

1. On April 17, 2009, this Honourable Court issued an order (as subsequently 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, the "**Abitibi Petitioners**"),[1] (ii) Bowater Canadian Holdings Inc. and subsidiaries thereof (collectively, the "**Bowater Petitioners**")[2] and (iii) certain partnerships.[3] Any undefined capitalized expressions used herein have the meanings set forth in the Initial Order.

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 certain Petitioners (collectively with ABH, the "**18.6 Petitioners**")[4] obtained orders under s. 18.6 of the CCAA in respect of the Chapter 11 Proceedings (the 18.6 Petitioners, the Abitibi Petitioners and the Bowater Petitioners being collectively referred to as the "**Petitioners**").

3. Pursuant to the Initial Order, Ernst & Young Inc. was appointed as monitor of the Petitioners (the "**Monitor**") and a stay of proceedings (the "**Stay of Proceedings**") was issued from the date of the Initial Order until May 14, 2009 (the "**Stay Period**").

4. On May 14, 2009, this Court issued an order (the "**First Extension Order**") extending the Stay Period to September 4, 2009, the whole as appears from the Court Record.

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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.

ORDER SOUGHT

5. The Petitioners hereby seek the issuance of an order extending the Stay Period to December 15, 2009.

GROUNDS FOR THIS MOTION

6. Since the issuance of the First Extension Order, the Petitioners have all acted, and continue to act, in good faith and with due diligence. As such, Petitioners continue to work on implementing and maintaining effective procedures to permit an efficient monitoring of their financial situation, along with the assistance of the Monitor, when required.

7. The Petitioners, along with the assistance of their legal counsel and the Monitor, are actively continuing to review all of their real estate, equipment leases and executory contracts with a view to renegotiating or rejecting any lease or contract that has an unfavourable financial impact on Petitioners' business in comparison with the current market conditions or that is no longer necessary for their on-going operations.

8. At the same time, Petitioners have continued pre-filing initiatives and are taking the necessary steps to dispose of non-productive or redundant assets, which processes require time in order to maximize the return on the disposal of said assets.

9. The Petitioners expect to conduct discussions and negotiations with their unions over the coming weeks and the extension of the Stay Period sought herein will provide an opportunity to pursue such discussions/negotiations.

10. The Petitioners have made and continue to make significant efforts to address the concerns of all stakeholders and in so doing, have resorted to seeking the guidance of this Court, including on the following occasions:

    (a) on April 22, 2009, this Court issued: (i) a Recognition Order (U.S. Interim DIP Order) under section 18.6 of the CCAA, recognizing an Interim Order issued on April 17, 2009 by the U.S. Court in the context of the U.S. Proceedings, which said order approved a USD$40 million debtor-in-possession loan facility to certain Bowater entities (the "**Bowater DIP**"); and (ii) an Amended Initial Order which made corrections to the Initial Order;

    (b) on May 6, 2009, following a contested hearing and intensive negotiations, this Court issued a judgment approving the Abitibi Petitioners' *Motion for Approval of a DIP Financing*, thereby approving a USD$100 million super-priority loan from the DIP lender, Bank of Montreal, which is guaranteed by Investissment Québec (the "**ACI DIP Facility**");

(c) on June 15, 2009, following a contested hearing and several weeks of negotiations, this Court issued an order authorizing ACI and ACCC to enter into a Replacement Securitization Facility and amending the Initial Order;

(d) on July 28, 2009, this Court issued an order approving a Cross-Border Court-to-Court Protocol;

(e) on August 4, 2009, following a contested hearing with respect to the use of proceeds, this Court issued an order authorizing the sale of certain Quebec Timberland Assets;

(f) on August 26, 2009, this Court issued an order establishing November 13, 2009 as a Claims Bar Date for certain types of claims against the Petitioners;

(g) on August 26, 2009, this Court issued an order approving certain agreements to be entered into by the Petitioners with respect to certain transactions involving the Smurfit Stone Group;

the whole as appears from the Court record.

11. In addition, the Abitibi Petitioners expect to be applying for approval of the sale of its interest in Manicouagan Power hydro facilities to Hydro Québec in September.

12. The extension of the Stay Period is necessary in order to provide the Petitioners an adequate period of time to complete the stabilization of their business and to commence negotiations with their stakeholders with a view to assembling a plan of compromise or arrangement under the CCAA. It is estimated that the requested extension of the Stay Period until December 15, 2009 will afford the Petitioners an adequate period of time to make material progress towards that goal.

13. The Monitor has indicated that it will be filing its 15th report (the "**Monitor's 15th Report**") which shall contain its recommendations and a review of the cash flow forecast of the petitioners through and including December 15, 2009.

14. As appears from the cash flow forecast, the Petitioners are of the view that no creditor will suffer any undue prejudice by the extension of the Stay Period.

15. The Petitioners are of the view that extending the Stay Period to December 15, 2009 based upon the cash flow forecast to be reported upon in the Monitor's 15th Report is appropriate in the present circumstances.

16. Based on the foregoing, the Petitioners pray this Court to further extend the Stay Period up to and including December 15, 2009, which date shall be the new Stay

Termination Date, the whole subject to all the other terms of the Initial Order, as amended.

17. The Petitioners respectfully submit that the notices given of the presentation of the present Motion are proper and sufficient.

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

WHEREFORE, MAY IT PLEASE THIS HONOURABLE COURT TO:

GRANT the present Motion;

EXTEND the Stay Period (as defined in the Initial Order granted by this Court in this matter, as amended) until December 15, 2009 the whole subject to all the other terms of the Initial Order;

DECLARE that the notices given of the presentation of the present Motion are proper and sufficient;

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, September 1st, 2009

Stikeman Elliott LLP

Stikeman Elliott LLP
Attorneys for the Petitioners

AFFIDAVIT

I, the undersigned, Jacques P. Vachon, having a place of business at Suite 800, 1155 Metcalfe Street, Montréal, Quebec, H3B 5H2 solemnly declare the following:

1. I am the Senior Vice President, Corporate Affairs and Chief Legal Officer of AbitibiBowater Inc.;

2. All the facts alleged in the *Motion for an Order Extending the Stay Period* pursuant to Sections 9 and 11 of the *Companies' Creditors Arrangement Act*, R.C.S. 1985 c. C-36, are true.

AND I HAVE SIGNED

JACQUES P. VACHON

Solemnly declared before me at Montréal, on the 1st day of September, 2009

Commissioner for oaths for all the judicial districts of Québec

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

NOTICE OF PRESENTATION

TO : **SERVICE LIST**

TAKE NOTICE that the *Motion for an Order Extending the Stay Period* will be presented for adjudication before one of the Honourable Judges of the Superior Court, sitting in Commercial Division in and for the District of Montreal, in Room **16.12** of the **Montreal Court House, 1 Notre-Dame St. East**, on **September 4**, 2009 at **9:15 am** in the forenoon, or so soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

Montréal, September 1st, 2009

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

#10466604 v4

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 AN ORDER EXTENDING THE STAY PERIOD, AFFIDAVIT AND NOTICE OF PRESENTATION

ORIGINAL

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