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CANADA

PROVINCE OF QUEBEC

DISTRICT OF MONTREAL

No.:

500
11-035851-092

Le 13 mars 2009 S.16.12
Hon. Clément Gascon, J.C.S.
Ordonnance initiale rendue
ce jour : voir jugement
écrit. D. Boily, s.e.c.

SUPERIOR COURT
Commercial Division

In the matter of a proposed arrangement by 4513541 CANADA INC., 4513550 CANADA INC. and ABITIBI-CONSOLIDATED INC. under Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "CBCA"):

4513541 CANADA INC., a legal person incorporated under the CBCA, having its registered office at 1155 Metcalfe Street, in the city and district of Montreal, Province of Quebec, H3B 5H2.

4513550 CANADA INC., a legal person incorporated under the CBCA, having its registered office at 1155 Metcalfe Street, in the city and district of Montreal, Province of Quebec, H3B 5H2.

And

ABITIBI-CONSOLIDATED INC., a legal person amalgamated under the CBCA, having its registered and principal executive offices at 1155 Metcalfe Street, in the city and district of Montreal, Province of Quebec, H3B 5H2.

Applicants

And

the other Impleaded Parties listed on Schedule A.

And

THE DIRECTOR UNDER THE CBCA, having an office at Complexe Jean-Edmonds South, 9th Floor, 365 Laurier Avenue West, Ottawa, Ontario, K1A 0C8.

Impleaded Parties

APPLICATION FOR INTERIM AND FINAL ORDERS WITH RESPECT TO AN ARRANGEMENT
(Sections 192 and 248 of the CBCA and Sections 2, 20, 33 and 46 of the Code of Civil Procedure)

TO ONE OF THE JUDGES OF THE SUPERIOR COURT SITTING IN COMMERCIAL DIVISION, IN AND FOR THE DISTRICT OF MONTREAL, THE APPLICANTS RESPECTFULLY SUBMIT THE FOLLOWING:

1. INTRODUCTION

1.1. Overview of the Arrangement

1. The Applicants, 4513541 Canada Inc. ("**ArrangeCo1**"), 4513550 Canada Inc. ("**ArrangeCo2**") and Abitibi-Consolidated Inc. ("**ACI**", and ACI, its successor corporation (if any) and subsidiaries are collectively referred to as "**Abitibi**") contemplate entering into an Arrangement Agreement with AbitibiBowater Inc. ("**AbitibiBowater**" or "**ABH**"), Abitibi-Consolidated Nova Scotia Incorporated ("**ACNSI**"), as general partner of Abitibi-Consolidated Finance L.P. ("**ACF LP**") and Abitibi-Consolidated Company of Canada ("**ACCC**") to provide for an arrangement (the "**Arrangement**") pursuant to Section 192 of the CBCA. The terms of the Arrangement are more particularly described in the Plan of Arrangement attached as Appendix F to the draft form of information circular (the "**Circular**") attached as Exhibit R-1 to this Application. All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Circular.

2. The Arrangement has been negotiated with certain significant Noteholders, Secured Noteholders and Lenders and represents a unique opportunity to effect a de-leveraging and recapitalization of Abitibi in a transaction which will preserve its going-concern value. Under the Arrangement, about US$4 billion of affected secured and unsecured claims will be repaid, restructured or exchanged for a combination of (i) new debt issued by ACI or its successor corporation, as the case may be, and ArrangeCo1, and (ii) equity in ACI's parent company, AbitibiBowater. If approved, the result will be a reduction of net debt by almost US$2.4 billion and a reduction of interest expense going forward of about US$162 million per year.

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3. In addition to this significant reduction of net debt, the Applicants will seek, through the Arrangement, to raise about US$350 million in new funds to help recapitalize Abitibi. Upon completion of the Arrangement, Abitibi (on a consolidated basis) will be a well-capitalized, solvent entity better able to confront the changing marketplace.

4. Only the secured and unsecured facilities of Abitibi referred to in Section 2.2 hereof (including, directly or indirectly, the guarantees of such facilities provided by the Impleaded Parties listed in Schedule A hereof) will be affected upon the implementation of the Plan of Arrangement. While the Arrangement will not affect the claims of Abitibi's employees, pension plans or trade creditors or those of its affiliates affected by the Arrangement, the Applicants are seeking a stay of proceedings to ensure that the business of Abitibi is able to continue smoothly during these proceedings without stakeholder concerns of possible defaults or creditor actions disrupting operations until the Creditors (as hereinafter defined) have had an opportunity to vote upon the Arrangement and this Court has had an opportunity to consider whether it should be approved.

1.2. Overview of this Application

5. The Applicants make this Application to the Court for, *inter alia*:

   (a) an interim order (the "**Interim Order**") under subsection 192(4) of the CBCA for the calling, holding and conduct of the Noteholders' Meeting, the Lenders' Meeting and the Secured Noteholders' Meeting (collectively, the "**Meetings**"), the hearing of this Application and certain ancillary relief, including a stay of proceedings in respect of Abitibi and the Impleaded Parties listed in Schedule A hereof as guarantors of certain debt obligations of Abitibi, and

   (b) a final order (the "**Final Order**") under subsection 192(4) of the CBCA approving the Plan of Arrangement.

6. The hearing of this Application for the purposes of seeking the issuance of the Interim Order is scheduled to be heard on March 13, 2009. The Record Date for establishing the right to vote at the Meetings is proposed to be established as on or about March 20, 2009. The Meetings are proposed to be scheduled for on or about April 30, 2009, and the hearing of this Application for the purposes of seeking the issuance of the Final Order is proposed to be on or about May 5, 2009. If approved, the Recapitalization, including the Arrangement, is expected to be completed on or before May 7, 2009.

7. In support of this Application, the Applicants file the following draft documents:

   (a) the Circular, a copy of which is attached hereto as Exhibit **R-1**, including the following documents:

      (i) the Noteholders' Notice;

(ii) the Lenders' Notice;

(iii) the Secured Noteholders' Notice;

(iv) the Noteholders' Arrangement Resolution (Appendix A to the Circular);

(v) the Secured Noteholders' Arrangement Resolution (Appendix B to the Circular);

(vi) the Lenders' Arrangement Resolution (Appendix C to the Circular);

(vii) the BMO Opinion (Appendix E to the Circular);

(viii) the Plan of Arrangement (Appendix F to the Circular); and

(ix) a draft Interim Order (the Interim Order to become Appendix G to the Circular), and

(b) forms of proxy, copies of which are attached hereto, as Exhibit **R-2**. (Exhibits R-1 and R-2 are referred to hereinafter as the "**Meeting Materials**").

2. THE PARTIES AND THE AFFECTED CREDITORS

2.1. Key Parties and Impleaded Parties

8. The Applicants and the Impleaded Parties listed in Schedule A hereof are all subsidiaries of ABH, a publicly-traded Delaware corporation (listed on the TSX and the NYSE) formed as a result of a merger of equals between ACI and Bowater Incorporated ("**Bowater**") completed in October 2007. Its headquarters and executive offices are located in Montreal, Quebec. ABH is a holding company that has no significant operations of its own. Instead, it conducts its business through its subsidiaries including ACI, Bowater and AbitibiBowater US Holding LLC ("**AbitibiBowater Holding**").

9. Following the merger, ACI and Bowater retained their separate financing structures. Neither Bowater nor its subsidiaries are parties to the Arrangement, which directly affects only Abitibi and its financing arrangements. However, ABH has approved the Arrangement Agreement and proposes to issue the Common Shares and the Warrants to be delivered as part of the Plan of Arrangement.

10. A chart illustrating the current simplified corporate structure of ABH is communicated as Exhibit **R-3.**

11. ACI results from the 1997 amalgamation of Abitibi-Price Inc. and Stone-Consolidated Corporation under the CBCA and is a wholly-owned subsidiary of

ABH and one of its affiliates. ACI ceased to be a reporting issuer in Canada following its merger with Bowater. ACI's registered and principal offices are located in Montreal, Quebec.

12. ArrangeCo1 was incorporated under the CBCA and is a wholly-owned indirect subsidiary of ABH. ArrangeCo1 was formed for the purposes of giving effect to the Arrangement. ArrangeCo1 will not carry on any business prior to the Effective Time, other than in connection with the Arrangement. ArrangeCo1's registered office is located in Montreal, Quebec.

13. ArrangeCo2 was incorporated under the CBCA and is a direct wholly-owned subsidiary of ArrangeCo1. ArrangeCo2 was also formed for the purposes of giving effect to the Arrangement. ArrangeCo2 will not carry on any business prior to the Effective Time, other than in connection with the Arrangement. ArrangeCo2's registered office is located in Montreal, Quebec.

14. ACCC results from the 1997 merger of Donohue Forest Product Inc. and Donohue Quno Inc. under Part IA of the Quebec *Companies Act* and is a wholly-owned subsidiary of ACI. Its registered and principal offices are located in Montreal, Quebec. Steps have been initiated to seek the authority to continue ACCC under the CBCA.

15. Further, ACI (which is a CBCA corporation) is a co-obligor or guarantor in respect of all of the affected credit facilities and other debt obligations to which ACCC is a party such that a Creditor (as defined hereinafter) called to a meeting of ACCC would also be a creditor of ACI and in that capacity would have been called to the same meeting in any event.

16. ACF LP (also an Impleaded Party) is a wholly-owned subsidiary entity of ACI. While ACF LP originally issued one of the series of the Existing Notes which are the subject of the Arrangement, with the benefit of ACI's guarantee (which remains in effect), ACCC subsequently assumed ACF LP's obligations thereunder. ACF LP has no significant assets or liabilities other than the relevant series of Existing Notes as to which it remains a co-obligor and an intercompany loan to ACCC. Under the Arrangement, the holders of such Existing Notes will exchange them in the same manner and for the same consideration as holders of all other debt obligations of ACI and ACCC as described below. It is also contemplated that ACF LP will be wound up and dissolved, either before or after implementation of the Plan of Arrangement.

17. It is contemplated that ACNSI (the general partner of ACF LP) will be continued under the CBCA prior to the Meetings.

18. The remaining Impleaded Parties listed in Schedule A hereof are subsidiary entities, directly or indirectly, of ABH who have provided secured guarantees in respect of the Term Loan Facility (as defined hereinafter) and unsecured guarantees in respect of the Secured Notes.

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2.2. Affected Creditors

19. The Arrangement affects the claims of certain secured and unsecured creditors of ACI and ACCC described below in this section (holders of such affected secured and unsecured creditor claims being collectively referred to as the "**Creditors**"). The Arrangement and the other contemporary recapitalization transactions described in the Circular are referred to below as the "**Recapitalization**".

2.2.1. Unsecured Creditors of ACI/ACCC

20. As regards to unsecured claims, only holders of Existing Notes (the "**Noteholders**") are affected by the Arrangement. ACI and ACCC are co-obligors in respect of each of the Existing Notes, together with ACF LP in the case of the July 2010 Notes. The Existing Notes are listed in the table below and described in further detail in Exhibit **R-4** attached hereto:

Existing Notes	Amount outstanding (US$ million)
US$250M 7.875% Notes due August 1, 2009	8
US$293M 15.5% Notes due July 15, 2010	293
US$500M 8.55% Notes due August 1, 2010	395
US$200M 7.75% Notes due June 15, 2011	200
US$200M Floating Rate Notes due June 15, 2011	200
US$350M 6.00% Notes due June 20, 2013	350
US$450M 8.375% Notes due April 1, 2015	450
US$100M 7.40% Debentures due April 1, 2018	100
US$250M 7.50% Debentures due April 1, 2028	250
US$250M 8.50% Debentures due August 1, 2029	250
US$450M 8.85% Debentures due April 1, 2030	450
Total :	**2,946**

2.2.2. Secured Creditors

21. The Arrangement also involves the following secured claims:

(a) the Secured Notes, of which about US$441.4 million remain outstanding. The Secured Notes are guaranteed by ACI and Donohue Corporation, an indirect subsidiary of ABH, and several of their respective subsidiaries, including the Impleaded Parties listed in Schedule A hereof (collectively, the "**Guarantors**"), and are secured by mortgages on certain pulp and paper mills owned by, and security interests in and pledges of certain other assets of, ACCC and the Guarantors; and

(b) the Credit and Guaranty Agreement, dated as of April 1, 2008 (the "**Term Loan Facility**"), among, *inter alia*, ACCC, ACI, the 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 remain outstanding. The Term Loan

Facility ranks effectively senior to the Secured Notes to the extent of the collateral securing it, while the Secured Notes rank effectively senior to the Term Loan Facility to the extent of the collateral securing it.

3. BACKGROUND

3.1. Abitibi's Business

22. As noted above, AbitibiBowater is the public company that resulted from the 2007 merger of ACI and Bowater. The merged company is now the largest producer of newsprint in the world, as well as a major producer of commercial printing papers and wood products.

23. Since the merger, while their business operations have been integrated, ACI, Bowater and their direct and indirect subsidiaries have remained legally separate groups with independent financing arrangements.

24. Abitibi's activities are divided into four main business segments: newsprint, commercial printing papers, market pulp and wood products.

25. Abitibi's customers include many of the world's largest publishers, commercial printers, retailers, consumer products companies and building supply outlets.

26. Abitibi has about 9,861 employees. As appears from the table below, it operates or owns 16 pulp and paper mills and 24 wood products facilities in Canada and the United Kingdom:

CANADA QUEBEC NEWSPRINT Amos / Baie-Comeau / Belgo(C) / Clermont COMMERCIAL PRINTING PAPERS Alma / Beaupré / Belgo(C) / Kénogami / Laurentide RECYCLED FIBER PRODUCTION Alma / Baie-Comeau / Belgo(C) SAWMILLS Champneuf(C) / Chibougamau(I) / Comtois / Girardville – Normandin / La Doré / Laterrière(I) / Opitciwan / Petit-Saguenay / Pointe-aux-Outardes (2)(C) / Roberval(C) / Saint-Fulgence(C) / Saint-Hilarion / Saint-Ludger-de-Milot / Saint-Raymond(I) / Saint-Thomas-Didyme / Senneterre/La Tuque(I) WOOD REMANUFACTURING Château-Richer / La Doré / Manseau / Saint-Prime ENGINEERED WOOD Larouche / Saint-Prime HYDROELECTRIC POWER Hydro-Saguenay / Manicouagan BRITISH COLUMBIA NEWSPRINT Mackenzie(C)	ONTARIO NEWSPRINT Iroquois Falls / Thorold COMMERCIAL PRINTING PAPERS Fort Frances / Fort William(C) / Iroquois Falls HYDROELECTRIC POWER Fort Frances / Iroquois Falls / Kenora(C) COGENERATION Fort Frances MARKET PULP Fort Frances RECYCLED FIBER COLLECTION Thorold RECYCLED FIBER PRODUCTION Thorold UNITED KINGDOM NEWSPRINT Bridgewater, Cheshire, England RECYCLED FIBER COLLECTION Claycross, Derbyshire, England / Croy, North Lanarkshire, Scotland / Edinburgh, East Lothian, Scotland / Hersham, Surrey, England / Liverpool, Merseyside, England / Middlesbrough, Teeside, England / Nottingham, Nottinghamshire, England / Sefton, Merseyside, England / St. Helens, Merseyside, England / Stoke-on-Trent,

SAWMILLS Mackenzie (2) (I) COGENERATION Mackenzie NEWFOUNDLAND NEWSPRINT Grand Falls(C)(E) / Stephenville(C) HYDROELECTRIC POWER Grand Falls(E) / Star Lake Hydro(E) / Exploit River(E)	Staffordshire, England RECYCLED FIBER PRODUCTION Bridgewater, Cheshire, England

(C) Facilities closed or in the process of closing
(E) Facilities expropriated by Province of Newfoundland
(I) Idled facilities

27. Abitibi also holds, directly or indirectly, equity interests in various companies operating, among other things, recycling facilities and 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 that operates a 350,38 MW hydroelectric facility situated on the Manicouagan River, in the Province of Quebec.

(b) ACCC holds a 75% equity interest in ACH Limited Partnership ("**ACH**"), a joint-venture for its Ontario hydroelectric generation facilities, which encompasses eight hydroelectric facilities located in the Province of Ontario.

(c) ACCC holds a 51% equity interest in Star Lake Hydro Partnership ("**SLHP**"), a joint-venture for its Newfoundland hydroelectric generation facilities. In December 2008, the Government of Newfoundland announced the expropriation of most of the provincial assets of Abitibi, including the SLHP facilities.

(d) ACI holds a 51% equity interest in Donohue Malbaie Inc., which owns and operates one of the paper machines at one of Abitibi's newsprint mills.

(e) Abitibi owns or operates significant woodlands in Canada.

3.2. Financial Challenges

28. In general, Abitibi'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.

29. For the last several years, Abitibi has faced a significant deterioration in business conditions in all of its primary business segments. The business of Abitibi

continues to be adversely affected by the worldwide recession which has made the completion of a de-leveraging transaction an imperative to preserve and protect Abitibi's business and place it on a sounder footing.

30. For the first nine months of 2008, Abitibi recorded sales of $2.85 billion, operating losses of $677 million and a net loss of $1.061 billion.

31. In light of all these factors, Abitibi has focused on completing an operational restructuring. Abitibi has made significant progress by rationalizing capacity, reducing mill outputs and selling non-core assets while maintaining a collaborative relationship with its customers, suppliers, and employees.

3.3. <u>April 2008 Refinancing</u>

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

(a) The issuance by ACCC of US$413 million of Secured Notes.

(b) The Term Loan Facility in the 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 (the "**Convertible Notes**") to Fairfax Financial Holdings Limited and certain of its designated subsidiaries. and

(e) ACI's former bank credit facility was repaid and cancelled.

33. On April 15, 2008, ACCC repaid US$50 million of the Term Loan Facility 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 balance of the Term Loan Facility to US$347 million.

3.4. <u>Strategic Review</u>

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

35. The management of ABH has been conducting a comprehensive strategic review to improve ABH's capital structure and enhance liquidity, with the guidance and oversight of the Board of Directors and with the benefit of financial advice from BMO Capital Markets. Strategic initiatives considered, some of which have already been announced, have included non-core asset sales, cost reduction initiatives and refinancing.

3.4.1. ACH Sale

36. On December 22, 2008, ABH announced the acceptance of 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 is 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.

3.4.2. BI Exchange Offers

37. On February 9, 2009, ABH announced the commencement of private offers (the "**BI Exchange Offers**") to exchange US$1.8 billion of outstanding series of unsecured notes (the "**Bowater Notes**") issued by Bowater (or by a subsidiary of Bowater), in a private placement, for new notes (the "**Bowater Exchange Notes**"). The Bowater Exchange Notes will be issued by Bowater Finance II LLC ("Bowater Finance"), an indirect wholly owned subsidiary of AbitibiBowater, and will consist of:

    (a) 10.00% Second Lien Notes due January 31, 2012, and

    (b) 10.50% Third Lien Notes due March 31, 2012.

38. ABH is also soliciting consents (the "**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.

39. The BI Exchange Offers and Consent Solicitation will expire at 11:59 p.m., on March 13, 2009, unless extended (the "**Expiration Date**"). Tendered Bowater Notes may be validly withdrawn at any time prior to the Expiration Date but not thereafter.

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

41. The BI Exchange Offers, the Consent Solicitation and the BI Concurrent Notes Offering, if successfully completed, will result in a substantial de-leveraging and recapitalization of Bowater.

3.4.3. MPCo Sale

42. On March 13, 2009, ABH announced that ACCC and an unaffiliated third party signed a letter of intent in connection with the sale of ACCC's 60% interest in MPCo for gross proceeds of C$615 million (the "**MPCo Sale**"). The signing of the definitive purchase agreement is expected to take place prior to the Effective

Date and the closing is expected to take place five business days after the fulfillment of the closing conditions.

43. The above mentioned letter of intent provides that 90% of the purchase price will be paid in cash on the closing date and ACCC intends to use the proceeds of the MPCo Sale to repay the Secured Notes. The Recapitalization is conditional upon the closing of the MPCo Sale.

4. DESCRIPTION OF THE RECAPITALIZATION

44. The Recapitalization evolved from recent discussions and negotiations with a variety of stakeholders and constitutes a means by which Abitibi can deleverage and normalize its capital structure and enhance liquidity in a process that is fair and reasonable to all stakeholders.

4.1. The Arrangement and the Recapitalization

45. The Recapitalization includes a series of complex and interrelated steps leading to a number of significant changes to the capital structures of ABH and Abitibi, all of which are described or contemplated in detail in the Circular and the Plan of Arrangement.

46. Certain preliminary steps, which shall occur as conditions precedents to the implementation of the Arrangement are set out in section 4.1 of the Plan of Arrangement.

47. The specific steps of the Arrangement are set out in section 4.2 of the Plan of Arrangement. The Plan of Arrangement will become effective at, and will be binding on Abitibi on and after, the Effective Date.

48. The corporate structure of Abitibi following the Recapitalization will be as outlined in Exhibit **R-5.** The resulting CBCA corporation will emerge with debt obligations consisting of the New Notes and the Replacement Term Loan.

49. As outlined in the Plan of Arrangement, alternate steps may be pursued if the structure referred to above is not implemented. However, in any such case the financial outcome of the Arrangement will be the same and the resulting CBCA corporation will also emerge with debt obligations consisting of the New Notes and the Replacement Term Loan.

4.2. Treatment of Noteholders under the Arrangement

4.2.1. Exchange Securities

50. In accordance with the steps and sequence set forth in the Plan of Arrangement, the Noteholders shall (i) receive First Lien Notes and Second Lien Notes of Abitibi, and Common Shares and Series A Warrants of ABH to be allocated as set out below, and (ii) be entitled to participate in the Concurrent Private Offering.

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51. Each Noteholder shall receive for each US$1,000 principal amount of Existing Notes exchanged and transferred:

(a) US$75 in principal amount of the First Lien Notes.

(b) US$270 in principal amount of Second Lien Notes.

(c) 29.422 Common Shares of ABH, and

(d) 26.107 Series A Warrants, 26.107 Series B Warrants and 26.107 Series C Warrants entitling the holder to acquire Common Shares of ABH.

The attributes of the First Lien Notes, Second Lien Notes, Common Shares, Series A Warrants, Series B Warrants and Series C Warrants (collectively, the "**Exchange Securities**") are described under the Sections entitled "Description of the New Notes", "Description of the Warrants", "Description of AbitibiBowater's Capital Stock" and "Description of the Depositary Shares"' in the Circular, Exhibit R-1.

52. Each Noteholder shall also receive First Lien Notes on account of any accrued and unpaid interest under the Existing Notes up to and including April 1, 2009 on a dollar for dollar basis. Interest accruing on the Existing Notes after April 1, 2009 will not be paid and no default interest, excess interest, compound interest, special interest, additional amounts, fees, expenses, costs, charges, make-whole payments, penalties and all such other similar amounts whether imposed in connection with a payment failure or a prepayment or otherwise shall be payable on any accrued and unpaid interest up to and including the date of the exchange and transfer of the Existing Notes for Exchange Securities as described in the Plan of Arrangement.

53. The July 2010 Notes, while unsecured obligations of ACI and ACCC ranking *pari passu* with the other Noteholders, also benefit from unsecured guarantees provided by the Guarantors. These guarantees, being unsecured, rank behind the existing secured claims of the secured creditors against the guarantors described below. Under the Arrangement, the July 2010 Notes (including the guarantees) will first be transferred to ArrangeCo1 and then transferred to ArrangeCo2 as the new holder thereof. While the value of the guarantees that holders of the July 2010 Notes have would be speculative in the event that the secured creditors of Abitibi were to enforce their security, the Arrangement provides holders of July 2010 Notes with an additional US$100 in First Lien Notes (for a total of US$175) and US$50 in Second Lien Notes (for a total of US$320) per US$1,000 in principal amount of Exchange Securities in recognition of the loss of the guarantee. In other respects, the July 2010 Notes are treated the same as other Existing Notes.

54. A table summarizing the principal amount of First Lien Notes, Second Lien Notes, Common Shares, Series A Warrants, Series B Warrants and Series C

Warrants to be issued for every US$1,000 of principal amount of Existing Notes exchanged and transferred is communicated as Exhibit **R-6**.

55. The Noteholders shall and shall be deemed to irrevocably and finally exchange and transfer their Existing Notes in consideration of the Exchange Securities. The Exchange Securities shall be and shall be deemed to be received in full and final settlement of the Existing Notes, the Existing Note Indentures and all Entitlements relating to the Existing Notes and the Existing Note Indentures.

56. As of the date hereof, Noteholders holding approximately US$1 billion of Existing Notes (approximately 34% of total outstanding) have agreed to vote in favor of the Recapitalization. Abitibi intends to continue to solicit support from the Noteholders.

4.3. Concurrent Private Offering, Backstop Commitments and Initial Commitments

57. As part of the Recapitalization, Abitibi shall offer approximately US$389 million of First Lien Notes and 222.2 million Series D Warrants, for an aggregate purchase price of approximately US$350 million (the "**Concurrent Private Offering**").

58. Certain investors have provided binding commitments to subscribe for US$150 million thereof. AbitibiBowater and Abitibi are in advanced discussions to secure additional commitments. Qualifying Noteholders shall be entitled to participate in the Concurrent Private Offering for an aggregate purchase price of up to US$100 million of additional First Lien Notes.

59. For each US$1,000 principal amount of Existing Notes held on the Claims Measurement Date, Qualifying Noteholders shall be entitled to submit US$33.95 in cash and receive US$37.72 of First Lien Notes and 21.553 Series D Warrants.

60. Any Qualifying Noteholder that agrees to provide a backstop to the Concurrent Private Offering will receive a backstop commitment fee in an amount of US$50 of First Lien Notes and 53.895 Series A Warrants, 53.895 Series B Warrants for each US$1,000 committed. The maximum amount of backstop commitments shall be US$200 million and the aggregate backstop call amount shall be equal to the amount obtained by deducting the aggregate amount of the Concurrent Private Offering subscribed to by the Qualifying Noteholders from the Maximum Backstop Amount.

61. The Pre-committed Parties shall be entitled to participate in the Concurrent Private Offering in respect of their Initial Commitments on the same basis as Qualifying Noteholders and shall receive US$1,111.11 of First Lien Notes and approximately 635 Series D Warrants for each US$1,000 of Initial Commitments.

62. In addition, in consideration for their Initial Commitments, the Pre-committed Parties shall receive US$50 in principal amount of First Lien Notes and 53.895

Series A Warrants and 53.895 Series C Warrants for each US$1,000 of Initial Commitments.

63. ACI has entered into Initial Commitments from Pre-Committed Parties representing US$150 million in connection with the Concurrent Private Offering.

4.4. Effect of Arrangement on ABH's shareholdings

64. In connection with the Recapitalization, and as detailed above, AbitibiBowater intends to issue Common Shares and warrants convertible into Common Shares that would, on a fully-diluted basis, constitute in excess of 90% of the currently outstanding Common Shares.

65. Given its financial situation, the NYSE has allowed ABH to relay on a "financial distress" exception to the NYSE's Shareholder Approval Policy for the purpose of the Recapitalization and as such, ABH will issue securities as contemplated in the Reorganization without the prior approval of its shareholders, which approval would, otherwise have been required.

4.5. Treatment of Secured Creditors

4.5.1. Secured Notes

66. The Secured Indenture requires that an offer be made to the Secured Noteholders in certain circumstances, including a sale of ACCC's interest in MPCo. However, there is no ability for the Secured Notes to be redeemed mandatorily in that event.

67. Pursuant to the Arrangement, Abitibi shall pre-pay in cash the principal amount then due in respect of the Secured Notes, together with any accrued and unpaid interests under the Secured Notes, using the proceeds from the MPCo sale.

68. The cash payments delivered to the Secured Noteholders shall be and shall be deemed to be received in full and final settlement of the Secured Notes and all Entitlements relating to the Secured Notes.

4.5.2. Treatment of Lenders

69. In accordance with the Plan of Arrangement, the Term Loan Facility shall be paid down and shall be deemed to be paid down in cash (the "**Lenders Cash Payment**") to a principal amount of US$200 million and the Lenders shall enter and shall be deemed to enter into the Replacement Term Loan with Abitibi. The Lenders shall and shall be deemed to irrevocably and finally exchange the debt obligation created under the Term Loan Facility in consideration of the Lenders Cash Payment and the debt obligation created under the Replacement Term Loan.

70. Any accrued and unpaid interest under the Term Loan Facility to (but not including) the date of the Lenders Cash Payment as described in the Plan of Arrangement shall be paid in cash.

71. No default interest or compound interest nor any other penalty or additional amount for the late payment of any principal or interest shall be payable, nor shall any penalty or additional amount for prepayment be payable.

4.5.3. Securitization Facility

72. Abitibi sells a substantial portion of its trade accounts receivable through two securitization programs in order to reduce working capital requirements. The Recapitalization is conditional upon the Amended and Restated Receivables Purchase Agreement among, *inter alia*, Citibank, N.A., Abitibi Consolidated Sales Corporation and Abitibi-Consolidated Inc. having been amended, extended or replaced until September 1, 2009 and all necessary consents and waivers of all parties thereunder to the consummation of the Recapitalization and the Plan of Arrangement having been obtained.

4.5.4. Treatment of Other Creditors

4.5.4.1. Trade Debt

73. Trade debt of Abitibi shall remain unaffected and shall be paid or satisfied in the ordinary course.

4.5.4.2. Treatment of Employee Obligations

74. Obligations of Abitibi to its employees, including without limitation, with respect to pension plans, shall remain unaffected and shall be paid or satisfied in the ordinary course.

4.5.4.3. Treatment of Other Obligations

75. Other obligations of Abitibi shall remain unaffected and shall be paid or satisfied in the ordinary course.

4.5.5. Conditions to the Recapitalization

76. The Recapitalization is conditional upon certain matters, including, the closing of the MPCo Sale.

5. APPROVAL OF THE RECAPITALIZATION

77. The *Ad Hoc* Finance Committee of the Board of Directors of ABH has met frequently since January 16, 2009, and has consulted with management and financial and legal advisors, including since mid-February to consider the proposed Recapitalization and related matters. On March 12, 2009, based on the advice and counsel of its financial advisor and management, and having

considered such other factors as it has deemed necessary, the Committee resolved to recommend to the Board of Directors that it approve the Recapitalization.

78. On March 12, 2009, based on the advice and counsel of its financial advisor and management, and the recommendation of the *Ad Hoc* Finance Committee, 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 has determined that it is in the best interests of ABH, its subsidiaries and their stakeholders that the Recapitalization be consummated and recommended to its subsidiaries that they do so as well.

79. The Boards of Directors of the Applicants have also approved the Recapitalization, including the Arrangement, and authorized its submission to the Creditors and the Court for their respective approvals.

6. TESTS UNDER SECTION 192 OF THE CBCA

80. As corporations under the CBCA, the Applicants are permitted to apply to this Court under section 192 of the CBCA for an order approving an arrangement proposed by them. The proposed Arrangement involves a number of steps, including exchanges of securities, and as such qualifies as an "arrangement" within the meaning of subsection 192(1) of the CBCA.

81. The Arrangement is necessary for the continued existence of Abitibi and has a valid business purpose, namely the implementation of the Recapitalization, which effects a fair and balanced arrangement of the legal rights of the Creditors.

6.2. BMO Opinion

82. BMO Capital Markets has rendered an opinion (the "**BMO Opinion**") in the form described in paragraph 4.03 of Industry Canada's Policy Statement 15-1 – Policy Concerning Arrangements under Section 192 of the CBCA dated November 7, 2003. A copy of the BMO Opinion is attached to the Circular (Exhibit R-1) as Appendix E.

83. As of March 13, 2009, BMO Capital Markets, is of the opinion that the Creditors would be in a better financial position, respectively, under the Recapitalization than if Abitibi were liquidated as, in each case, the estimated aggregate trading value of the consideration creditors would receive in the Recapitalization would, in the opinion of BMO Capital Markets, exceed the estimated value Creditors would receive in a liquidation.

6.3. Solvency

84. ArrangeCo1 is newly incorporated. ArrangeCo1 was formed for the purpose of effecting the Arrangement and will only carry on business in connection with the Arrangement prior to the Effective Time. ArrangeCo1 has no liabilities and, in accordance with subsection 192(2) of the CBCA, ArrangeCo1 is not insolvent.

85. ArrangeCo2 is newly incorporated. ArrangeCo2 was formed for the purpose of effecting the Arrangement and will only carry on business in connection with the Arrangement prior to the Effective Time. ArrangeCo2 has no liabilities and, in accordance with subsection 192(2) of the CBCA, ArrangeCo2 is not insolvent.

86. As of this time, ACCC and ACI have continued to be able to pay their liabilities as they fall due. Absent the Arrangement, ACCC and ACI would be required to refinance the Term Loan Facility due March 30, 2009 as well as to make required interest payments. In the current market conditions, including a constrained credit market, there can be no assurance that such financing would be obtainable by ACCC and ACI on terms more favourable than the Arrangement.

87. Upon completion of the Arrangement, Abitibi will be solvent as required by section 192 of the CBCA. Pro forma information relating to Abitibi following the implementation of the Arrangement is included in the Circular (Exhibit R-1) under the Section entitled "Summary Combined Historical, Proforma and Other Data".

6.4. Practicability

88. The Arrangement is to be effected in accordance with a number of complex and interrelated steps that are to occur in the sequence set out in the Plan of Arrangement, and in a manner that is advantageous to Abitibi.

89. A statutory plan of arrangement under Section 192 of the CBCA is the only efficient and practicable means of completing the Recapitalization and the related transactions. In particular, Abitibi has been advised by the undersigned attorneys that there is no efficient and practicable means under the CBCA, other than pursuant to the arrangement provisions in Section 192, to effect this complex multi-step transaction including:

(a) the irrevocable exchange and transfer of the Existing Notes and all of the rights under the Existing Notes and the Existing Note Indentures for the Exchange Securities;

(b) the prepayment of the Secured Notes as described herein;

(c) the exchange of the debt obligation created under the Term Loan Facility;

(d) the fundamental transactions contemplated in the Plan of Arrangement; and

(e) the amalgamation contemplated in step 4.2 (j)(vii) of the Plan of Arrangement.

90. Further, by proceeding by way of statutory plan of arrangement under Section 192 of the CBCA, the Final Order will constitute the basis for an exemption from the registration requirements of the Securities Act of 1933, as amended, of the United States of America, with respect to the New Notes, the Warrants and the Common Shares to be issued in the United States of America under the Arrangement.

7. Request for Advice and Directions

91. The Applicants respectfully seek advice and directions from this Court by way of the Interim Order, a draft of which will be attached as Appendix G to the Circular (Exhibit R-1). The proposed Interim Order seeks to address the issues discussed in the following paragraphs.

92. The proposed Interim Order is consistent with previous orders that have been issued by Canadian courts in respect of other plans of arrangement.

93. It is proposed that the Meetings be held on April 30 2009, to seek approval of the Arrangement. Pursuant to the proposed Interim Order, and subject to further Order of this Court, for the Arrangement to be implemented:

(a) the Noteholders' Arrangement Resolution will be considered passed if it receives the approval of not less than two-thirds of the votes cast in respect of the Noteholders' Arrangement Resolution by Noteholders, voting together as a single class, present in person or represented by proxy and entitled to vote at the Noteholders' Meeting.

(b) the Lenders' Arrangement Resolution will be considered passed if it receives the approval of not less than two-thirds of the votes cast in respect of the Lenders' Arrangement Resolution by the Lenders, voting together as a single class, present in person or represented by proxy and entitled to vote at the Lenders's Meeting. and

(c) the Secured Noteholders' Arrangement Resolution will be considered passed if it receives the approval of not less than two-thirds of the votes cast in respect of the Secured Noteholders' Arrangement Resolution by the Secured Noteholders, voting together as a single class, present in person or represented by proxy and entitled to vote at the Secured Noteholders' Meeting.

94. The Registered Noteholders, Secured Noteholders and those who are Lenders as of the Record Date, will be entitled to vote in person or by proxy on the Arrangement Resolutions. The quorum for each of the Meetings shall be satisfied if two or more Creditors of each class entitled to vote are present, in person or represented by proxy, at the Meetings.

95. The Applicants propose to distribute the Meetings Material to (i) Registered Noteholders, Secured Noteholders and those who are Lenders as of the Record Date, (ii) in the case of the Noteholders' Meeting, the Indenture Trustees, (iii) in the case of the Secured Noteholders' Meeting, the Secured Indenture Trustee (iv) the directors of ArrangeCo1, ArrangeCo2, ACI and ACCC (v) the auditors, if any, of ArrangeCo1, ArrangeCo2, ACI and ACCC, and (vi) the Director, by pre-paid ordinary mail, by delivery, in person or by courier, not later than 21 days prior to the date established for the Meetings in the Notices of Meetings (Exhibit R-3). Distribution to such persons shall be to their addresses as they appear on the books and records of ArrangeCo1, ArrangeCo2, ACI and ACCC as at the Record Date.

96. In addition to the directions necessary to hold the Meeting, the Applicants seek, *inter alia*, the issuance of the following orders by this Court:

(a) a stay of proceedings in favour of the Applicants and the Impleaded Parties listed in Schedule A hereof; and

(b) an Order that no person shall have any right to terminate, accelerate, amend, enforce security held or declare in default any contract or other agreement to which any of the Applicants or the Impleaded Parties listed in Schedule A hereof is a party.

97. Pursuant to the Existing Note Indentures, the Term Loan Facility and the Secured Indenture and certain other agreements to which Abitibi or the Impleaded Parties are party, the institution of any proceeding seeking to take advantage of any law relating to reorganization, liquidation or dissolution constitutes an event of default. Although it is Abitibi's position that the Recapitalization and the transactions, steps and proceedings contemplated thereby, the commencement or prosecution of proceedings or the issuance of orders in connection with the Arrangement, including this Application, could not be construed to constitute an event of default, the Applicants and Impleaded Parties require protection in the event that any of their creditors or other stakeholders take the position that this Application is an event of default, thereby resulting in unnecessary and costly litigation that will put not only the Arrangement but the future of Abitibi and the Impleaded Parties listed in Schedule A at risk.

98. The relief sought in the above mentioned orders is also necessary as Abitibi is required to make certain interest payments under the Existing Notes on March 15, 2009 and April 1, 2009, and because the Term Loan Facility reaches maturity on March 30, 2009. If the Arrangement is approved by the Creditors and the Court, theses amounts will not be paid in cash. The Applicants and Impleaded Parties require protection of this Court in the event that any of the Creditors decides to initiate recovery measures against Abitibi between the date of filing of this Application and the Meetings, which may result in other stakeholders seeking to allege cross-defaults.

99. In addition, a notice of actual or potential Defaults or Events of Default resulting from the proposed restructuring of the Term Loan Facility will be given under the Term Loan Facility and possibly other debt instruments. The stay or proceedings is required in order to prevent enforcement of creditors' rights, remedies or recourses under the Term Loan Facility or otherwise until such time as the Creditors have had an opportunity to vote upon the Arrangement and this Court has had an opportunity to consider whether it should be approved.

100. The Applicants and Impleaded Parties require protection of this Court in the event that any of the Creditors choose to initiate recovery measures against Abitibi between the date of filing of this Application and the Meetings, which may result in other stakeholders seeking to allege cross-defaults.

101. The Applicants understand that some Noteholders may hold credit default swaps or other derivatives or eligible financial contracts referencing the obligations of Abitibi. The Applicants are not intending that the Arrangement with the functioning of such derivative contracts (or any other agreements to which they or Abitibi are not parties) including the ability of holders of credit default swaps to act upon the occurrence of a "Credit Event".

8. FINAL ORDER

102. The implementation of the Plan of Arrangement will be subject to the satisfaction of several conditions, including the approval of this Court upon Final Order. The Plan of Arrangement will be implemented on the Effective Date.

103. Following the Meetings, the Applicants intend to present an application for the Final Order on or after May 5, 2009. In advance of the hearing of the Application, a supplemental affidavit will be filed to, *inter alia*, advise this Honourable Court of the results of the votes at the Meetings.

9. NOTICE TO DIRECTOR

104. In accordance with the Director's Policy Statement 15.1, staff of the CBCA Director was provided with notice that the Applicants would be seeking advice and directions from this Court by way of Interim Order, and was provided with draft copies of this Application and supporting Exhibits, on March 3, 4, 5, 6, 9 and 13 2009.

105. A copy of a non-appearance letter from the CBCA Director is communicated herewith as Exhibit **R-7**.

FOR THESE REASONS, MAY IT PLEASE THIS HONOURABLE COURT TO MAKE THE FOLLOWING ORDERS:

(A) ON THE INTERIM APPLICATION

[1] **GRANT** the present application for interim order (the "**Interim Order**").

[2] **DISPENSE** the Applicants from serving the present application for Interim Order, except to the Director in charge of the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the "**CBCA**").

DEFINITIONS

[3] **DECLARE** that, as used in this Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the draft Notice of Meeting of holders of (collectively the "**Noteholders**") of the US$250M 7.875% Notes due August 1, 2009, US$293M 15.5% Secured Notes due July 15, 2010, US$500M 8.55% Notes due August 1, 2010, US$200M 7.75% Notes due June 15, 2011, US$200M Floating-Rates Notes due June 15, 2011, US$350M 6.00% Notes due June 20, 2013, US$450M 8.375% Notes due April 1, 2015, US$100M 7.40% Debentures due April 1, 2018, US$250M 7.50% Debentures due April 1, 2028, US$250M 8.50% Debentures due August 1, 2029, US$450M 8.85% Debentures due April 1, 2030 (collectively the "**Existing Notes**") of Abitibi-Consolidated Inc. ("**ACI**") and subsidiaries and Notice of Meeting of holders (the "**Secured Noteholders**") of 13.75% Secured Notes due 2011 (the "**Secured Notes**") of Abitibi-Consolidated Company of Canada ("**ACCC**") and Notice of Meeting of Lenders (the "**Lenders**") under Senior Term Loan of $400 million due 2009 (the "**Term Loan Facility**") of ACCC and Information Circular (the "**Circular**") with Respect to a Proposed Plan of Arrangement and Recapitalization.

[4] **DECLARE** that for the purposes of this Interim Order, any reference herein to the holder of an obligation shall be deemed to include both the legal and beneficial holders, if any.

THE MEETINGS

[5] **ORDER** that ACI and ACCC shall be permitted to call, hold and conduct (i) a meeting of Noteholders (the "**Noteholders' Meeting**"), (ii) a meeting of Lenders (the "**Lenders' Meeting**") and (iii) a meeting of Secured Noteholders (the "**Secured Noteholders' Meeting**") in the manner and at the times hereinafter set forth. At the Noteholders' Meeting, the Lenders' Meeting and the Secured Noteholders' Meeting (collectively, the "**Meetings**"), the Noteholders, the Lenders and the Secured Noteholders (collectively, the "**Creditors**") shall be asked, among other things, to consider and, if deemed advisable, to pass, with or without variation, the Noteholders' Arrangement Resolution, the Lenders' Arrangement Resolution and the Secured Noteholders' Arrangement Resolution respectively, copies of which are attached as Appendix A, Appendix B and Appendix C to the Circular (collectively, the "**Arrangement Resolutions**") authorizing, approving and agreeing to the Arrangement and Plan of Arrangement.

THE RECORD DATE

[6] **ORDER** that the record date (the "**Record Date**") for entitlement to notice of the Meetings and for entitlement to vote at the Meetings shall be March 20, 2009.

[7] **ORDER** that the Chair of each of the Meetings shall be determined by ACI or ACCC and the quorum required for each of the Meetings shall be satisfied if two or more Creditors entitled to vote are present, in person or by proxy at each Meeting.

[8] **ORDER** that the Meetings shall be called, held and conducted in accordance with the Noteholders' Notice, the Lenders' Notice and the Secured Noteholders' Notice forming part of the Circular (the "**Notices**"), the CBCA, the articles and by-laws of ACI and ACCC and the terms of this Order and any further Order of this Court.

PERMITTED ATTENDEES

[9] **ORDER** that the only persons entitled to attend the Meetings shall be:

(a) the registered Noteholders, the registered Secured Noteholders and those who are Lenders as of the Record Date or their respective proxy holders, financial and legal advisors.

(b) the officers, directors, counsel, auditors and financial and other advisors of the Applicants, ACCC and the general partner of Abitibi-Consolidated Finance L.P. ("**ACF LP**").

(c) the Indenture Trustees and the Secured Indenture Trustee.

(d) the Director, and

(e) other persons who may receive the permission of the Chair of the Meetings.

[10] **ORDER** that at the Meetings, the Applicants, ACCC and ACF LP may also transact such other business as is contemplated by the Circular or as otherwise may be properly brought before the Meetings.

AMENDMENTS TO THE ARRANGEMENT AND PLAN OF ARRANGEMENT

[11] **ORDER** that the Applicants and ACCC are authorized to make, subject to the terms of the Arrangement Agreement and the Plan of Arrangement, such amendments, revisions and/or supplements to the Arrangement and to the Plan of Arrangement as they may determine and the Arrangement and the Plan of Arrangement, as so amended, revised and/or supplemented, shall be the Arrangement and the Plan of Arrangement to be submitted to the Creditors at the Meetings and shall be the subject of the Creditors' Resolution.

ADJOURNMENTS AND POSTPONEMENTS

[12] **ORDER** that ACI and ACCC if they deem advisable are specifically authorized to adjourn or postpone the Meetings on one or more occasions, without the necessity of first convening the Meetings or first obtaining any vote of Creditors respecting the adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements shall be given by such method as ACI and ACCC may determine is appropriate in the circumstances.

NOTICE OF THE MEETINGS

[13] **ORDER** that ACI and ACCC shall give notice of the Meetings, substantially in the form of the Notices, subject to their ability to change the final form of Notice.

SOLICITATION OF PROXIES

[14] **ORDER** that ACI and ACCC are authorized to use proxies at the Meetings either substantially in the form accompanying the draft Circular or in such other form as ACI and ACCC may determine to be reasonable in the circumstances. The Applicants and ACCC are authorized, at their expense, to solicit proxies, directly and through their officers, directors and employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as they may determine.

[15] **ORDER** that any proxy to be used at the Meetings must be received either by courier or mail prior to 5:00 p.m. (Montreal time) on April 27, 2009. Notwithstanding the foregoing, ACI or ACCC may waive, but have no obligation to do so, the time limit for the deposit of proxies by Creditors if ACI or ACCC deem it advisable to do so.

[16] **ORDER** that Creditors will be entitled to revoke a proxy given at any time prior to the exercise thereof at the Meetings by:

(a) depositing an instrument in writing executed by such Creditor or by an attorney authorized in writing, or, if the Creditor is a corporation, by a duly authorized officer or attorney thereof, at Suite 800, 1155 Metcalfe Street, Montreal, Quebec, H3B 1X9 at any time up to and including the last Business Day preceding the Meetings, or with the Secretary of the Meetings on the day of such Meetings, or

(b) in any other manner permitted by law.

DISTRIBUTION OF MEETING MATERIALS

[17] **ORDER** that the Applicants and ACCC are hereby authorized to distribute this Application, this Interim Order, the Circular (including the Notices, the forms of

proxy and the Participation Form) and any other communications or documents determined by the Applicants or ACCC to be necessary or desirable (collectively, the "**Meeting Materials**" which term shall include any amendments, revisions or supplements to such documents made in accordance with paragraph 18 hereof), as applicable, to :

(a) (i) Registered Noteholders, Secured Noteholders and Lenders entitled to vote as of the Record Date, (ii) in the case of the Noteholders' Meeting, the Indenture Trustees, (iii) in the case of the Secured Noteholders' Meeting, the Secured Indenture Trustee (iv) the directors of the Applicants and ACCC, (v) the auditors, if any, of the Applicants and ACCC, and (vi) the Director, by pre-paid ordinary mail, by delivery, in person or by courier, not later than twenty-one (21) days prior to the date established for the Meetings in the Notice. Distribution to such persons shall be to their addresses as they appear on the books and records of ACI or ACCC or as at the Record Date.

(b) To non-registered Noteholders and Secured Noteholders entitled to vote as of the Record Date by providing copies of the Meeting Materials as stipulated in the Existing Notes Indentures and the Secured Indenture or to the Registered Noteholders and Secured Noteholders for sending to beneficial owners as soon as practicable.

[18] **ORDER** that the Applicants and ACCC are hereby authorized to make such amendments, revisions or supplements ("**Additional Information**") to the Meeting Materials as the Applicants may determine in accordance with the Arrangement Agreement, and the Applicants and ACCC shall distribute such Additional Information by one or more of the following methods: press release, newspaper advertisement, pre-paid ordinary mail, delivery, in person or by courier, or by the most reasonably practicable method in the circumstances as the Applicants or ACCC may determine.

[19] **ORDER** that distribution of the Meeting Materials as well as any Additional Information, pursuant to paragraphs 17 and 18 of this Order, shall constitute good and sufficient service and notice thereof upon all such persons of the Meetings and the within Application. Further, no other form of service of the Meeting Materials or any Additional Information or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meetings to the persons described in paragraphs 17 and 18 of this Order or to any other persons.

[20] **ORDER** that a failure or omission to distribute the Meeting Materials and/or any Additional Information in accordance with paragraphs 17 and 18 of this Order as a result of mistake or of events beyond the control of the Applicants, ACCC or ACF LP shall not constitute a breach of this Order or a defect in the calling of the Meetings and shall not invalidate any resolution passed or proceedings taken at the Meetings, but if any such failure or omission is brought to the attention of the Applicants or ACCC, then the Applicants and ACCC shall

use commercially reasonable efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

PARTICIPATION IN CONCURRENT PRIVATE OFFERING

[21] **ORDER** that the record date for the Noteholders to participate in the Concurrent Private Offering is the Record Date.

[22] **ORDER** that only Qualifying Noteholders as at the Concurrent Private Offering Participation Deadline are entitled to participate in the Concurrent Private Offering.

[23] **ORDER** that Qualifying Noteholders that are interested in participating in the Concurrent Private Offering will be required to:

(a) properly complete and duly execute their Participation Form.

(b) ensure that their broker guarantees the Participation Form by affixing its brokerage stamp to the Participation Form endorsed by the prime broker and restricted to the number of Existing Notes held by the Noteholder as of the Concurrent Private Offering Deadline, and

(c) forward their properly completed, duly executed and medallion/stamp signature guaranteed Participation Forms to the Depositary Agent as provided for in the Circular.

[24] **ORDER** that Qualifying Noteholders intending to participate in the Concurrent Private Offering will not be accepted if the Transfer Agent has not received the Participation Form, properly completed, duly executed and signature guaranteed, by the Concurrent Private Offering Participation Deadline or such later date as the Applicants or ACCC may determine is appropriate in the circumstances.

VOTING

[25] **ORDER** that the only persons entitled to vote in person or by proxy on the Arrangement Resolutions or such other business as may be properly brought before the Meetings shall be the Creditors as at the close of business on the Record Date.

[26] **ORDER** that, subject to further order of this Court, the Noteholders' Arrangement Resolution shall be considered to be approved at the Noteholders' Meeting by the affirmative vote of not less than two-thirds of the votes cast in respect of the Noteholders' Arrangement Resolution by the Noteholders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the Noteholders' Meeting. Such vote shall be sufficient to authorize and direct the Applicants, ACCC and ACF LP to do all such acts and

things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Circular without the necessity of any further approval by the Noteholders, subject only to final approval of the Arrangement by this Court.

[27] **ORDER** that, subject to further order of this Court, the Lenders' Arrangement Resolution shall be considered to be approved at the Lenders' Meeting by the affirmative vote of not less than two-thirds of the votes cast in respect of the Lenders' Arrangement Resolution by the Lenders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the Lenders' Meeting. Such vote shall be sufficient to authorize and direct the Applicants, ACCC and ACF LP to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Circular without the necessity of any further approval by the Lenders, subject only to final approval of the Arrangement by this Court.

[28] **ORDER** that, subject to further order of this Court, the Secured Noteholders' Arrangement Resolution shall be considered to be approved at the Secured Noteholders' Meeting by the affirmative vote of not less than two-thirds of the votes cast in respect of the Secured Noteholders' Arrangement Resolution by the Secured Noteholders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the Secured Noteholders' Meeting. Such vote shall be sufficient to authorize and direct the Applicants, ACCC and ACF LP to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Circular without the necessity of any further approval by the Secured Noteholders, subject only to final approval of the Arrangement by this Court.

[29] **ORDER** that in respect of the vote on the Arrangement Resolutions and any other matters properly brought before the Meetings, each Creditor is entitled to one vote for each US $1.00 principal amount plus accrued and unpaid interest as at April 1, 2009. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolutions.

[30] **ORDER** that the Applicants, ACCC and the general partner of ACF LP be and are hereby permitted to pass unanimous directors' resolutions to approve the Arrangement and the Recapitalization in lieu of calling, holding and conducting a special meeting for the purposes thereof.

HEARING OF APPLICATION FOR APPROVAL OF THE ARRANGEMENT

[31] **ORDER** that, following the holding of the Meetings and the delivery of the director's resolutions pursuant to paragraph 30 hereof, the Applicants shall be

permitted to apply to this Court for final approval of the Arrangement pursuant to this Notice of Application on May 5, 2009.

[32] **ORDER** that the only persons entitled to appear and to be heard at the hearing on this Application for the issuance of a Final Order shall be the Applicants, ACCC, the Director, the Consenting Noteholders, and any person that:

(a) files an appearance with the Clerk of the Superior Court of Quebec, 1 Notre-Dame Street East, Montreal, Quebec, H2Y 1B6, Commercial Division, judicial District of Montreal and serves same on the Applicant's counsel, Stikeman Elliott (c/o: Sean Dunphy/Guy P. Martel, 1155 René-Lévesque Blvd. W., 40th floor, Montreal, Quebec, H3B 3V2), no later than five (5) business days before the date of the Meeting .

(b) if such appearance is filed with a view to contest the application for Final Order or to make representations in relation thereto, files a written contestation or written representations, as the case may be, supported, as to the facts, by affidavit(s) and exhibit(s), if any, with the aforementioned Clerk of the Superior Court of Quebec, 1 Notre-Dame Street East, Montreal, Quebec, H2Y 1B6, Commercial Division, judicial District of Montreal and serves same on the Applicant's counsel, Stikeman Elliott (c/o: Sean Dunphy/Guy P. Martel, 1155 René-Lévesque Blvd. W., 40th floor, Montreal, Quebec, H3B 3V2), no later than three (3) days before the date of the Meeting,

failing which no contestation of the application for Final Order shall be permitted.

STAY OF PROCEEDINGS

[33] **ORDER** that from 2:15PM (Montreal time) on the date of this Interim Order until and including May 7, 2009, or such later date as the Court may order (the "**Stay Termination Date**", the period from the date of the 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 Interim 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 any of the Applicants or Impleaded Parties listed in Schedule A hereof (collectively the "**Abitibi Parties**"), or any of the present or future property, assets, rights and undertakings of the Abitibi Parties, of any nature and in any location, whether held directly or indirectly by the Abitibi Parties, in any capacity whatsoever, or held by others for the Abitibi Parties (collectively, the "**Property**"), provided, however, that judicial or arbitration proceedings instituted against and served upon any of the Abitibi

Parties or any of the Property prior to the date of this Interim Order, shall not be stayed or suspended.

[34] **ORDER** that, without limiting the generality of the foregoing, during the Stay Period, all Persons having agreements, contracts or arrangements with any of the Abitibi Parties 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 Abitibi Parties or any other Person thereunder including, without limitation, as a result of the Applicants having made an application to this Court pursuant to section 192 of the CBCA, the Abitibi Parties being a party to this proceeding, the Recapitalization or the Arrangement or any of the steps, transactions or proceedings contemplated thereby or having failed to make any payment of principal, interest or other payments, or committed any other defaults, unless leave of this Court is granted on seven (7) days notice to the Applicants.

(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 Abitibi Parties pay the prices or charges for such goods and services received after the date of this Interim 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 Abitibi Parties shall not be required to pay or grant), unless leave of this Court is granted on seven (7) days notice to the Applicants.

[35] **ORDER** that nothing in this Interim Order shall be deemed to prevent or impede the occurrence of a Credit Event under credit derivative transactions referencing any of the Abitibi Parties or otherwise staying or restraining any action, suit or proceeding against a person, other than the Abitibi Parties, who is obligated under a swap or derivative transaction or an eligible financial contract (as such term is defined in the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended).

[36] **DECLARE** that, to the extent any rights, obligations, or time or limitation periods, including, without limitation, to file grievances, relating to the Abitibi Parties hereof 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.

PROCEDURAL

[37] **ORDER** that any Notice of Appearance served in response to the Notice of Application shall be served on counsel for the Applicants at the following address: Stikeman Elliott LLP, 1155 René-Lévesque Blvd. West, Suite 4000, Montreal, Quebec, H3B 2V2, Attention: Sean F. Dunphy and Guy P. Martel.

[38] **ORDER** that any materials to be filed by the Applicants in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Court.

[39] **ORDER** that, to the extent of any inconsistency or discrepancy between this Order and the terms of any instrument creating, governing or collateral to the Existing Notes, Secured Noted and Term Loan Facility or the articles or by-laws of ACI, ACCC and ACF LP, this Interim Order shall govern.

[40] **DECLARE** that this Interim Order shall have full force and effect in all other Provinces and Territories of Canada and shall be enforced in the courts of each of the other Provinces and Territories of Canada in the same manner in all respects as if this Interim Order had been made by the court enforcing it.

[41] **ORDER** that this Court respectfully seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body constituted pursuant to the Parliament of Canada or the legislature of any province, any court or any judicial, regulatory or administrative body of the United States of America and any court or any judicial regulatory or administrative body in the United Kingdom or elsewhere to act in aid of and to assist this Court in carrying out the terms of this Interim Order, including that William Harvey is authorized, as necessary, to act as a representative of any of the Applicants, ACCC and the Impleaded Parties listed in Schedule A hereof or their affiliates in connection therewith.

[42] **ORDER** that the Applicants shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Court may direct.

[43] **ORDER** that in the event the within Application for final approval does not proceed on the date set forth in this Interim Order, and is adjourned, only those persons set out in paragraph 32 shall be entitled to be given notice of the adjourned date.

[44] **ORDER** provisional execution of thus Interim Order notwithstanding appeal and without the necessity of furnishing any security.

CONFIDENTIALITY

[45] **ORDER** that Exhibit R-1 be placed under seal in the records of the Superior Court of Quebec and that it not be disclosed, published or disseminated, directly or indirectly.

[46] **ORDER** the Office of the Superior Court of Quebec to deny access to Exhibit R-1 to the public.

(B) ON THE APPLICATION FOR A FINAL ORDER

[47] **ORDERS** that, as used in this Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the Circular.

[48] **ORDER AND DECLARE** that the Applicants, ACCC and ACF LP have complied with all actions or steps required to be taken by them pursuant to the Interim Order or in connection with documents or acts contemplated by the Interim Order, including, without limitation, that the Meeting Materials were distributed in compliance with the Interim Order and that the Meetings were called, held and conducted in compliance with the Interim Order.

[49] **ORDER** that the Arrangement, as described in the Plan of Arrangement, (Appendix F to the Circular, Exhibit R-1), is an arrangement within the meaning of section 192 of the CBCA and is fair and reasonable to all affected parties.

[50] **ORDER** that the Arrangement, as described in the Plan of Arrangement (Appendix F to the Circular, Exhibit R-1), shall be and is hereby approved.

[51] **ORDER** that the Applicants, ACCC and the Impleaded Parties listed in Schedule A hereof are authorized to take all steps and actions necessary or appropriate to implement the Arrangement and the transactions contemplated thereby in accordance with and subject to the terms of the Arrangement (including entering into any agreements or other documents which are to come into effect in connection with the Arrangement).

[52] **ORDER** that the Applicants, ACCC are authorized to file Articles of Arrangement with the CBCA Director at the time contemplated in the Arrangement.

[53] **ORDER** that, on the Closing Date, each of the Applicants, ACCC and any other affiliates thereof acceptable to both ACI or its successor corporation and the Indenture Trustees and the Secured Indenture Trustee (collectively, the "**Indemnifying Parties**") are authorized to enter into an indemnity with the Indenture Trustees and the Secured Indenture Trustee in form and substance satisfactory to each party, acting reasonably, pursuant to which the Indemnifying Parties will indemnify the Indenture Trustees and the Secured Indenture Trustee and hold them harmless against any loss, liability, or expense incurred that arises

out of or in connection with the implementation by the Abitibi Companies of this Order or the Plan of Arrangement.

[54] **ORDER** that effective at the Closing Date, each of the Applicants, ACCC and the Impleaded Parties listed in Schedule A hereof, the Indenture Trustees, the Secured Indenture Trustee and their respective present and former shareholders, officers, directors, employees, auditors, advisors, legal counsel and agents are hereby released and discharged as provided in section 6.3 of the Plan of Arrangement and provided that the release relating to the business and affairs of the Applicants, ACCC and the Impleaded Parties is only with respect to or in connection with the Plan of Arrangement.

[55] **ORDER** that effective at the Closing Date, each of the Consenting Noteholders and the informal committees of Noteholders to which any of the Consenting Noteholders belong, together with their respective subsidiaries and affiliates and their respective present and former shareholders, officers, directors, employees, auditors, advisors, legal counsel and agents are hereby released and discharged as provided in section 6.2 of the Plan of Arrangement.

[56] **ORDER** that effective on the Closing Date, no Creditor or Person shall have the right to make, commence or enforce any rights, claims or remedies in respect of or arising from any obligations under the Existing Notes, the Existing Notes Indentures, the Term Loan Facility, the Secured Notes, the Secured Indenture or the Securitization Program any other matters affected by the Plan of Arrangement and all Creditors or Persons shall be conclusively deemed to have transferred and exchanged any right, title or interest held in any of the Existing Notes, the Existing Notes Indentures, the Term Loan Facility, the Secured Notes and the Secured Indenture in the manner prescribed by the Plan of Arrangement for the consideration therein provided and any person maintaining a register or record of any kind respecting the interests, beneficial or otherwise of any person in respect of Existing Notes affected by the Plan of Arrangement is authorized and directed to give effect to the transfer and exchange of Existing Notes as prescribed by the Plan of Arrangement.

[57] **DECLARE** that this Final Order shall have full force and effect in all other Provinces and Territories of Canada and shall be enforced in the courts of each of the other Provinces and Territories of Canada in the same manner in all respects as if this Interim Order had been made by the court enforcing it.

[58] **ORDER** that this Court respectfully seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body constituted pursuant to the Parliament of Canada or the legislature of any province, any court or any judicial, regulatory or administrative body of the United States of America and any court or any judicial regulatory or administrative body in the United Kingdom or elsewhere to act in aid of and to assist this Court in carrying out the terms of this Order, including that William Harvey is authorized, as necessary, to act as a representative of any of the Applicants, ACCC and the

Impleaded Parties listed in Schedule A hereof or their affiliates in connection therewith.

[59] **ORDER** that the Applicants, ACCC shall be entitled to seek leave to vary this Order upon such terms and upon the giving of such notice as this Court may direct, to seek the advice and direction of this Court as to the implementation of this Order and/or to apply for such further order or orders as may be appropriate.

[60] **ORDER** provisional execution of the Final Order notwithstanding appeal and without the necessity of furnishing any security.

THE WHOLE without costs unless contested.

Montreal, March 13, 2009

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Applicants

#10402911 v17

AFFIDAVIT

I, the undersigned, William Harvey, having my principal place of business at Suite 800, 1155 René-Lévesque, Montreal, Quebec, H3B 5H2 do solemnly affirm that:

1. I am the President of 4513541 Canada Inc. and 4513550 Canada Inc. and the Senior Vice President and Chief Financial Officer of Abitibi-Consolidated Inc. and,

2. All the facts alleged in this Application for Interim and Final Orders with respect to an Arrangement are true.

AND I HAVE SIGNED:

William Harvey

SOLEMNLY **AFFIRMED** before me at

Montreal, this 13th day of March, 2009.

Commissioner of Oaths

#27644

SCHEDULE A

ABITIBI-CONSOLIDATED COMPANY OF CANADA,

ABITIBI-CONSOLIDATED FINANCE L.P.,

DONOHUE CORP.,

LES EXPLORATIONS TERRA NOVA LTEE,

THE JONQUIERE PULP COMPANY,

THE INTERNATIONAL BRIDGE AND TERMINAL COMPANY,

SCRAMBLE MINING LTD,

ABITIBI-CONSOLIDATED CANADIAN OFFICE PRODUCTS HOLDINGS INC.,

ABITIBI-CONSOLIDATED SALES CORPORATION,

ABITIBI-CONSOLIDATED ALABAMA CORPORATION,

ALABAMA RIVER NEWSPRINT COMPANY,

ABITIBI-CONSOLIDATED CORP.,

AUGUSTA WOODLANDS, LLC,

3244112 NOVA SCOTIA LIMITED,

DONOHUE RECYCLING INC.,

MARKETING DONOHUE INC.,

1508756 ONTARIO INC.,

6169678 CANADA INCORPORATED,

3834328 CANADA INC.,

ABITIBI-CONSOLIDATED NOVA SCOTIA INCORPORATED,

BRIDGEWATER PAPER COMPANY LIMITED,

CHESHIRE RECYCLING LTD.,

SAGUENAY FOREST PRODUCTS INC.

CANADA

PROVINCE OF QUEBEC

DISTRICT OF MONTREAL

SUPERIOR COURT
Commercial Division

No.:

In the matter of a proposed arrangement by 4513541 CANADA INC., 4513550 CANADA INC. and ABITIBI-CONSOLIDATED INC. under Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "CBCA"):

4513541 CANADA INC.,

4513550 CANADA INC.,

And

ABITIBI-CONSOLIDATED INC

Applicants

And

the other Impleaded Parties listed on Schedule A.

And

THE DIRECTOR UNDER THE CBCA

Impleaded Parties

NOTICE OF PRESENTATION

TO : The Director under the CBCA
Complexe Jean-Edmonds South
365 Laurier Avenue West, 9th Floor
Ottawa (Ontario) K1A 0C8

TAKE NOTICE that Application for Interim and Final Orders with Respect to an Arrangement 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 16.12 of the **Montreal Court House, 1 Notre-Dame St. East**, on March 13, 2009 at **2:00 pm** in the afternoon, or so soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, this 12th day of March 2009

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Applicants

SUPERIOR COUR

N°.

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

In the matter of a proposed arrangement of:
4513541 Canada Inc. et al.
Applicants
and
Abitibi-Consolidated Inc. et al.
The director under the CBCA
Impleaded Parties

BS0350 **File:** 041053-1187

APPLICATION FOR INTERIM AND FINAL ORDERS WITH RESPECT TO AN ARRANGEMENT

LIST OF EXHIBITS

ORIGINAL

Mtre. Guy P. Martel (514) 397-3163
Fax: (514) 397-3493

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