CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

N°: 500-11-036133-094

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

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"

Debtors/Respondents,

AND

ERNST & YOUNG INC.

Monitor,

AND

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

Petitioners

MOTION FOR THE DISTRIBUTION BY THE MONITOR OF CERTAIN PROCEEDS OF THE MPCO SALE TRANSACTION TO U.S. BANK NATIONAL ASSOCIATION, INDENTURE AND COLLATERAL TRUSTEE FOR THE SENIOR SECURED NOTES

TO JUSTICE GASCON OR ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN THE COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTREAL, THE AD HOC COMMITTEE OF SENIOR SECURED NOTEHOLDERS (the "Senior Noteholders Committee") AND U.S. BANK NATIONAL ASSOCIATION, INDENTURE TRUSTEE AND COLLATERAL TRUSTEE FOR THE SENIOR SECURED NOTES (the

"Trustee") (the Senior Noteholders Committee and the Notes Trustee, collectively the "Senior Secured Noteholders") **RESPECTFULLY SUBMIT THE FOLLOWING:**

A. PREAMBLE

1. By Order rendered on September 29, 2009, (the "**MPCo Approval Order**") the Court authorized ACCC to proceed with the sale of all assets of Manicouagan Power Company ("**MPCo**") to Hydro-Quebec subject to the terms and conditions of the Implementation Agreement, thereby monetizing ACCC's 60% equity interest in MPCo that had been previously pledged by ACCC to secure its indebtedness owing under the Senior Secured Notes (the "**MPCo Transaction**");

2. The MPCo Transaction is expected to be completed by the end of October 2009;

3. On the completion of the MPCo Transaction and after certain holdbacks, reserves and deductions from the C$615 million gross proceeds including the possible payment out of those proceeds of the amount presently owing on the ACI DIP (being approximately US$ 477,545,769.53 or approximately C$ 499,274,102), the Monitor will receive in trust the sum of approximately C173.9 million (the "**Available Proceeds**");

4. U.S. Bank National Association is the indenture trustee and collateral trustee (the "**Trustee**") in respect of the 13.75% senior secured notes (the "**Senior Secured Notes**") issued by Abitibi Consolidated Company of Canada ("**ACCC**") and outstanding in the aggregate principal amount of US$413 million;

5. ACCC's 60% equity interest in MPCo is pledged, mortgaged and hypothecated in favour of the Trustee for the benefit of the holders of the Senior Secured Notes to secure repayment of the indebtedness evidenced by the Senior Secured Notes; the whole as appears from the security documentation referred to hereinafter;

6. To protect the interests of the holders of the Senior Secured Notes, the MPCo Approval Order established a court ordered charge upon the MPCo Proceeds including the Available Proceeds in favour of the Trustee for the benefit of the holders of the Senior Secured Notes having the same rank and priority as the existing security interest in ACCC's interest in the MPCo Shares (as defined below);

7. The MPCo Approval Order also provides that the cash component of the MPCo Share Proceeds which include the Available Proceeds shall be paid to and held by the Monitor in an interest bearing account and shall not be released except upon approval from the Court;

8. The amount owing under the Senior Secured Notes was US$ 477,545,769.53 as of 1 October 2009 (the "**Debt**"), and interest continues to accrue on the Senior Secured Notes at the rate of 15.75%;

9. ACCC has failed to make the 1 April 2009 semi-annual interest payment under the Senior Secured Notes indenture (the "**Indenture**"), which constitutes an event of default under the Indenture at this time and has subsequently failed to make the 1 October 2009 semi-annual interest payments due under the Indenture;

10. The CBCA filing and the subsequent CCAA filing also constitute events of default under the Indenture;

11. The Available Proceeds constitute proceeds of collateral subject to the security held by the Trustee for the benefit of the holders of the Senior Secured Notes and should be paid to the Trustee for application to the Debt in accordance with the Indenture;

B. THE FACTS

The Senior Secured Notes and Security

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

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

14. Wells Fargo Bank, National Association has been succeeded as trustee under the Indenture and under the Collateral Trust Agreement by U.S. Bank, National Association, the whole as appears from the Agreement of Resignation, Appointment and Acceptance, produced en liasse as exhibit **SN-3;**

15. To secure the obligations of ACCC under the Senior Secured Notes, ACCC granted security upon its property to the Trustee (the "**Senior Notes Security**"). The Senior Notes Security includes a Senior Secured Notes Hypothec and Issue of Debentures dated 28 March 2008 (the "**Senior Secured Notes Hypothec**") as well as a pledge of the MPCo Shares owned by ACCC (the "**MPCo Shares**" and the "**Share Pledge**" respectively). Copies of the Senior Secured Notes Hypothec and the Share Pledge are produced as exhibit **SN-4** and **SN-5**;

16. The Monitor reported in its 16th Report to the Court (the "**16th Report**") that its counsel is undertaking a review of the security held by the Trustee and has formed the preliminary view that the security in respect of the MPCo Shares is valid and enforceable. The 16th Report (without appendices) is produced as exhibit **SN-6.;**

17. As of 1 October 2009, the amount owing in respect of the Senior Secured Notes, excluding the Trustee's fees and expenses and legal and other expenses, is US$477,545,769.53 (defined above as the "**Debt**") the whole as appears from the statement of account as at October 1st, 2009 produced as exhibit **SN-7**;

18. Since the Senior Secured Notes were issued in April 2008, ACCC only made the interest payment due on 1 October 2008. It has not made any other payments under the Notes;

19. An Event of Default pursuant to section 6.01(1) of the Indenture has occurred and is continuing, and as a consequence of the occurrence and continuation of that Event of Default the Trustee is entitled to avail itself of any and all remedies to effect collection of all amounts owing under the Senior Secured Notes;

20. Events of Default pursuant to section 6.01(7) of the Indenture have occurred and are continuing, and as a consequence of the occurrence of these Events of Default, the Debt is presently due and owing and the Trustee is entitled to take every available remedy to collect the Debt;

21. The Debt is now due and payable in full.

The MPCo Sale Transaction and the Payment of the Available Proceeds

22. The MPCo Transaction was approved by the Court on 29 September 2009 (the "MPCo Approval Order"). The MPCo Approval Order is produced as exhibit **SN-8;**

23. Pursuant the MPCo Approval Order the Trustee has a replacement charge upon the MPCo Proceeds including the Available Proceeds;

24. Pursuant to the MPCo Approval Order, upon completion of the MPCo Transaction, the Available Proceeds are to be paid to the Monitor in trust pending further order of the Court;

25. One of the Debtors' stated primary purposes of the MPCo Transaction was to facilitate repayment of the Debt;

C. GROUNDS FOR THIS MOTION

26. The Trustee holds a replacement charge upon the Available Proceeds;

27. But for the court ordered stay of proceedings, the Trustee would have acted upon the defaults of ACCC and the Guarantors and instituted legal action to enforce the Secured Notes Security at least on the Available Proceeds;

28. Considering the current state of the financial market, it is more than likely that the Monitor will not be able to enter into a trust account agreement with a Schedule 1 or Schedule 2 bank under the Bank Act that will generate interest revenue equal to the Interest and Special Interest provided under the Indenture SN-1 owed to the Trustee for the benefit of the holders of the Senior Secured Notes;

29. A partial repayment of the Debt from the Available Proceeds will reduce ACCC's and the Guarantors' obligations owing to the holders of the Senior Secured Notes, which is to the advantage of the other creditors of ACCC and the Guarantors;

30. The Trustee is entitled to the Available Proceeds;

31. This motion is well founded in fact and in law.

WHEREFORE, MAY THIS COURT:

[1] **GRANT** the present Motion;

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

[3] **ORDER** that the Monitor pay the Available Proceeds inclusive of all interest actually earned thereon to the Trustee;

[4] **THE WHOLE WITHOUT COSTS**, save and except in case of contestation.

Montreal, 6 October 2009

Borden Ladner Gervais

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

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ATTESTATION D'AUTHENTICITÉ SELON L'ART. 82.1 C.p.c.

Je, soussigné, Marc Duchesne, avocat, exerçant ma profession au 1000 de la Gauchetière ouest, suite 900, Montréal, Québec, H3B 5H4, district de Montréal, atteste ce qui suit :

1. En date du 7 octobre 2009, à 10h05, j'ai reçu par télécopieur de M. Robert Butzier un affidavit dans le dossier de la Cour supérieure, du district de Montréal, portant le numéro 500-11-036133-094 ;

2. M. Butzier, m'a transmis ledit affidavit de Boston, Massachusetts et son numéro de télécopieur est le (617) 603-6640;

3. La copie dudit affidavit jointe à la présente attestation est conforme au fac-similé ainsi reçu par télécopieur de M. Butzier, Vice Président de U.S. Bank National Association ;

Montréal, le 7 octobre 2009

Marc Duchesne
BORDEN LADNER GERVAIS
S.R.L., S.E.N.C.R.L.

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AFFIDAVIT

I, the undersigned, Robert C. Butzier, Vice President of U.S. Bank National Association, having my principal place of business at One Federal Street, 3rd Floor, Boston, MA 02110 solemnly declare the following:

1. I am a Vice President of U.S. Bank National Association, indenture trustee and collateral trustee in respect of the 13.75% senior secured notes issued by Abitibi Consolidated Company of Canada.

2. All of the facts alleged in the Motion for the Distribution by the Monitor of Certain Proceeds of the MPCo Sale Transaction to U.S. Bank National Association, Indenture Trustee for the Senior Secured Notes are true.

AND I HAVE SIGNED

Robert C. Butzier

Robert C. Butzier

Solemnly declared before me at Boston, Massachusetts
on the 6th day of October, 2009

SUK LING NG
NOTARY PUBLIC
COMMONWEALTH OF MASSACHUSETTS
My Comm. Expires Aug. 29, 2014

Suk Ling Ng

Notary Public

NOTICE OF PRESENTATION

TO: **Service list**

TAKE NOTICE that the *Motion for the Distribution by the Monitor of Certain Proceeds of the MPCo Sale Transaction to U.S. Bank National Association, Indenture and Collateral Trustee for the Senior Secured Notes* will be presented for adjudication before the Honourable Judge Clément Gascon of the Superior Court, sitting in practice in and for the District of Montreal, at the Montreal Courthouse, 1 Notre-Dame East, in a room to be designated and at a date and time to be set by the Honourable Judge Clément Gascon .

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, 6 October 2009

Borden Ladner Gervais LLP

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

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