CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

No. : 500-11-036133-094

SUPERIOR COURT

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

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.

and

ABITIBI-CONSOLIDATED INC.

and

BOWATER CANADIAN HOLDINGS INC.

and

the other Petitioners listed herein

Petitioners

and

ERNST & YOUNG INC.

Monitor

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

TO THE HONOURABLE CLÉMENT GASCON J.S.C. OR TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, THE PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:

A. PREAMBLE

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

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

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

4. The Stay Period was extended on three occasions by orders of this Court dated respectively May 14, September 4 and December 11, 2009 (the latter being the "**Third Stay Extension Order**"), the whole as appears from the court record. The Stay Period, as extended by the Third Stay Extension Order, expires on March 15, 2010.

---

1 The Abitibi Petitioners are Abitibi-Consolidated Inc., Abitibi-Consolidated Company of Canada, 3224112 Nova Scotia Limited, Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated., 4042140 Canada Inc., Donohue Recycling Inc., 1508756 Ontario Inc., 3217925 Nova Scotia Company, La Tuque Forest Products Inc., Abitibi-Consolidated Nova Scotia Incorporated, Saguenay Forest Products Inc., Terra Nova Explorations Ltd., The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd. and 9150-3383 Québec Inc. Abitibi-Consolidated (U.K.) Inc. was added to the schedule of Abitibi Petitioners on November 10, 2009.

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

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

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

B. ORDER SOUGHT

5. The Petitioners hereby seek the issuance of an order extending the Stay Period until June 18, 2010.

C. RECENT DEVELOPMENTS

1. Court Proceedings

6. Since the issuance of the Third Stay Extension Order, the Petitioners have made and continue to make significant efforts to address the concerns of all stakeholders and in so doing, have resorted to seeking the guidance of this Court, including, *inter alia*, on the following occasions:

   (a) on December 16, 2009, this Court ratified an agreement in connection with the settlement of a dispute between Mr. James Doughan, a former executive of the Petitioners, and ACI;

   (b) on January 18, 2010, this Court issued an order entitled *Claims Procedure Order (Review and Determination of Claims)* (the "**Second Claims Procedure Order**") setting out the procedure for the review, determination and adjudication of Claims and Subsequent Claims (said capitalized terms as defined in the Second Claims Procedure Order). This order was issued following the issuance by this Court of an order entitled *Claims Procedure Order* on August 26, 2009 (the "**First Claims Procedure Order**");

   (c) on February 23, 2010, this Court issued an order entitled *Order – Solicitation, Review and Determination of Applicable Claims and Restructuring Claims* (the "**Third Claims Procedure Order**") setting a Second Claims Bar Date for the filing of certain claims not governed by the First Claims Procedure Order and setting out the procedure for the review, determination and adjudication of these claims;

   (d) on February 23, 2010, this Court heard the Petitioners' *Motion for an Order Authorizing the Petitioners to Consult with Committees of their Stakeholders*, such motion has been taken under advisement by this Court; and

   (e) on February 24, 25 and 26, this Court heard the Province of Newfoundland and Labrador's *Motion for a Declaration Regarding Orders Issued Pursuant to the Environmental Protection Act, S.N.L. 2002, Chap. E-14.02* to which the Attorney-General of the Province of British Columbia intervened, such motion has also been taken under advisement by this Court;

the whole as appears from the Court record.

2. Other Significant Steps

- *Bridgewater Administration*

7. On February 2, 2010, Bridgewater Paper Company Limited, a subsidiary of the Petitioners with operations in the United Kingdom ("**UK**"), filed for administration, a form of insolvency proceeding in the UK. As outlined in the *Thirty-Third Report of the Monitor* dated February 19, 2010, Ernst & Young (UK) has been appointed as the administrator of Bridgewater and all production at the Bridgewater mill has ceased.

- *Disposals of Assets*

8. The Petitioners are continuing their pre-filing initiatives to dispose of non-productive or redundant assets. These efforts include, *inter alia*, the following:

   (a) on February 25, 2010, the Petitioners filed a *Motion for an Order Authorizing the Sale of Non-Core Properties* seeking an authorization to proceed with the sale, to an affiliate, of properties subject to potential environmental liability exposure located in Botwood and Stephenville (Newfoundland and Labrador); and

   (b) the Petitioners are currently in the process of negotiating the sale of certain assets located in MacKenzie (British Columbia) and expect to file a motion for an authorization to proceed with the sale of such assets before June 18, 2010.

- *Claims Process*

9. The Petitioners and the Monitor are currently in the process of reviewing and recording the significant volume of claims that have been filed with the Monitor or received from Epiq, the U.S. claims agent in the Chapter 11 Proceedings, in the context of the Petitioners' claims process. The Monitor has started disallowing certain claims and it is expected that formal hearings before designated claims officers in respect of disputed claims will begin during the month of April, 2010.

10. In addition, the Petitioners expect to file shortly a motion seeking the nomination of additional Claims Officers and Grievance Claims Officers as contemplated in the Second Claims Procedure Order.

- *Labour and Pensions*

11. On March 1, 2010, the Petitioners resumed talks with their unions with respect to the renewal of their collective bargaining agreements, a key condition to emergence from the present proceedings under the CCAA.

12. On March 6, 2010, the Petitioners and the Syndicat des communications, de l'énergie et du papier ("**SCEP**") announced that they had reached a Memorandum of Agreement concerning the renewal of the SCEP collective bargaining agreements. This agreement, which has yet to be ratified by individual SCEP union members, concerns approximately three thousand (3,000) workers and approximately eight thousand (8,000) pensioners represented by twenty-three (23) locals in twelve (12) locations in Quebec and Ontario. While the Petitioners consider the Memorandum of Agreement to be an important milestone in assembling the pieces of a plan to emerge from CCAA protection, the Petitioners have agreed to maintain confidentiality surrounding the details while ratification from members is being sought. Discussions are continuing with other unions.

13. The Petitioners are also continuing the pension deficit funding discussions with various stakeholders including the Government of Quebec. The Petitioners are hopeful that the Memorandum of Agreement with its largest trade union will provide a constructive framework to conclude such negotiations in a timely manner.

- *Reorganization Plan*

14. On November 27, 2009 the Petitioners submitted a business plan to their creditors and on December 15, 2009, the Petitioners submitted a restructuring and recapitalization term sheet to same parties, the whole in accordance with orders contained in the corrected judgment issued by this Court on November 23, 2009.

15. Pursuant to the *Senior Secured Superpriority Debtor in Possession Credit Agreement* dated as of April 21, 2009 (the "**Bowater DIP Facility**"), the Bowater Petitioners are required to file a Reorganization Plan by April 21, 2010 in order to avoid a default under the Bowater DIP Facility. As the intention of the Petitioners remains to have a coordinated Reorganization Plan between the Bowater Petitioners and the Abitibi Petitioners, the Petitioners shall be working diligently to meet the conditions necessary to avoid such default by filing the required plan in a timely way.

16. The four critical elements of such a Reorganization Plan which remain to be determined are (i) the pension deficit funding issue; (ii) the ratification of collective agreements with all main unions required to produce a sound cost structure; (iii) exit financing; and (iv) the division of equity as between creditors of Abitibi and Bowater entities in the combined "new AbitibiBowater" upon emergence. The Petitioners have made progress and are continuing negotiations with their unions, regulators and creditors committees with a view to reaching the required resolution of these issues.

D. GROUNDS FOR THIS MOTION

17. The extension of the Stay Period is necessary in order to provide the Petitioners an adequate period of time to move forward with the claims process and to continue discussions with their stakeholders with a view to assembling a restructuring plan under the CCAA. It is estimated that the requested extension of the Stay Period until June 18, 2010 will afford the Petitioners an adequate period of time to make material progress towards that goal.

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

19. The Monitor has indicated that it will be filing the Monitor's Thirty-Fifth Report (the "**Monitor's 35th Report**") which shall contain its recommendations and a review of the cash flow forecast of the Petitioners through and including June 20, 2010.

20. As appears from the cash flow forecast, the Petitioners are of the view that no creditor will suffer any undue prejudice by the extension of the Stay Period as the Petitioners forecast to have sufficient liquidity during that period.

21. The Petitioners are of the view that extending the Stay Period to June 18, 2010 based upon the cash flow forecast to be reported upon in the Monitor's 35th Report is appropriate in the present circumstances.

22. Based on the foregoing, the Petitioners request that this Court further extend the Stay Period up to and including June 18, 2010, which date shall be the new Stay Termination Date, the whole subject to all the other terms of the Initial Order, as amended.

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

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

WHEREFORE, MAY IT PLEASE THIS HONOURABLE COURT TO:

GRANT the present Motion;

EXTEND the Stay Period (as defined in the Initial Order granted by this Court in this matter, as amended) until June 18, 2010 the whole subject to all the other terms of the Initial Order, as amended;

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

ORDER the provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security.

THE WHOLE WITHOUT COSTS, save and except in case of contestation.

Montréal, March 8, 2010

Stikeman Elliott LLP

Stikeman Elliott LLP
Attorneys for the Petitioners

AFFIDAVIT

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

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

2. All the facts alleged in the present *Motion for an Order Extending the Stay Period* are true.

AND I HAVE SIGNED

JACQUES P. VACHON

Solemnly declared before me at Montréal, on the 8th day of March, 2010

Commissioner for oaths for all the judicial districts of Quebec

Commissioner of Oaths
Districts of Longueuil and Montréal
 # 142 518

NOTICE OF PRESENTATION

TO : SERVICE LIST

TAKE NOTICE that the *Motion for an Order Extending the Stay Period* will be presented for adjudication before Justice C. Gascon or one of the Honourable Judges of the Superior Court, sitting in Commercial Division in and for the District of Montreal, in the Montreal Court House, 1 Notre-Dame St. East, on **Friday, March 12, 2010** at **9:15 a.m.** in a Room to be announced to the Service List.

DO GOVERN YOURSELVES ACCORDINGLY.

Montréal, March 8, 2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

#10529051 v4

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

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

In the matter of Plan of Compromise or Arrangement of:

ABITIBIBOWATER INC. *et al*

Petitioners

- and -

ERNST & YOUNG INC.

Monitor

BS0350 — **n/dos.:** 041053-1170

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

ORIGINAL

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

STIKEMAN ELLIOTT
Stikeman Elliott S.E.N.C.R.L., s.r.l. AVOCATS
40e Étage
1155, boul. René-Lévesque Ouest
Montréal, Canada H3B 3V2

#10530529 v1