CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

N°: 500-11-036133-094

S U P E R I O R C O U R T
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 in Schedules A, B and C

Petitioners-Debtors

and

ERNST & YOUNG INC.

Monitor

and

AURELIUS CAPITAL MANAGEMENT, LP, having its head office at 535 Madison Avenue, 22nd Floor, New York, NY, 10022

and

CONTRARIAN CAPITAL MANAGEMENT, L.L.C.
having its head office at 411 West Putnam Avenue, Greenwich, CT 06830

Petitioner-Noteholders

MOTION FOR THE ISSUANCE OF AN ORDER DIRECTING BOWATER CANADA FINANCE CORPORATION TO FILE AN ASSIGNMENT IN BANKRUPTCY OR ALTERNATIVELY, AN ORDER SEEKING THE APPOINTMENT OF AN INDEPENDENT AND DISINTERESTED THIRD PARTY TO INVESTIGATE, ASSERT, PROTECT AND PURSUE THE CLAIMS AND REMEDIES OF BOWATER CANADA FINANCE CORPORATION

TO ONE OF THE HONOURABLE JUDGES SITTING IN THE COMMERCIAL DIVISION, FOR THE JUDICIAL DISTRICT OF MONTREAL, THE PETITIONER-NOTEHOLDERS AURELIUS CAPITAL MANAGEMENT, LP AND CONTRARIAN CAPITAL MANAGEMENT, L.L.C. RESPECTFULLY SUBMIT THE FOLLOWING:

A. OVERVIEW

1. The Petitioner-Noteholders, Aurelius Capital Management, LP and Contrarian Capital Management, L.L.C. seek an Order:

   a) Requiring the officers and directors of Bowater Canada Finance Corporation ("**BCFC**") to file an assignment in bankruptcy under the Bankruptcy and Insolvency Act (the "**BIA**") appointing a trustee nominated by the Petitioner-Noteholders as trustee of the estate of BCFC;

   b) Discharging Ernst & Young as Monitor of BCFC;

   c) Declaring that the interests of the officers and directors of BCFC, the lawyers of record for the Petitioners, Stikeman Elliott LP, and the Monitor conflict irreconcilably with the interests of the other Petitioners;

   d) Alternatively, authorizing the Petitioner-Noteholders to appoint an independent and disinterested third party at Petitioners-Debtors' cost to investigate the assets and liabilities of BCFC and all intercompany transactions having taken place in the three years preceding the date of the Petition relating to BCFC and to report its findings to BCFC's creditors and this Honourable Court;

   e) Authorizing the independent and disinterested third party to cause BCFC to file an assignment in bankruptcy under the BIA and to investigate, assert, protect and pursue the claims and remedies of BCFC and to report to BCFC's creditors and to this Honourable Court; and

   f) Other ancillary relief.

2. The foregoing relief is necessary and appropriate in light of the following:

   a) BCFC has no business to restructure. It does not carry on any active business and has no employees;

   b) BCFC has claims against or interests in other Bowater entities which have sought protection under either the CCAA or the companion US Chapter 11 proceedings;

   c) BCFC received US$600 million as a result of the issuance of the Notes due November 15, 2011 issued pursuant to a Purchase Agreement and an Indenture Agreement, each dated October 31, 2001 (collectively, the "**Note Agreements**") produced *en liasse* as **Exhibit R-1**. The Petitioner-Noteholders collectively hold approximately US$200 million in aggregate face amount of the Notes;

d) Between October 2001 and the date of the CCAA filing, through a series of complicated and poorly disclosed intercompany transactions, BCFC's ownership interest in Bowater Canada Finance LP ("**BCFLP**") appears to have been converted into preferred shares of Bowater Canada Holding Inc. ("**BCHI**"), which is described at paragraphs 59 and following of the Petition as a Nova Scotia company wholly owned by Bowater Inc. ("**BOW"**) and a holding company for BOW's Canadian activities;

e) As a result of these intercompany transactions, BCFC now holds preferred shares in BCHI, the value of which will depend on BCHI maximizing its recoveries from other Petitioners;

f) On this issue, BCFC's officers and directors are conflicted and find themselves in a difficult predicament as they are also officers and directors of other Petitioners, including BCHI and BOW. Further, BCFC's counsel are also counsel to the other Petitioners. Accordingly, there are no independent fiduciaries ensuring that interests of BCFC are advocated for and protected in these CCAA proceedings;

g) BCFC is directly adverse in interest to BOW, its parent company, with respect to a contribution claim that arises as a matter of law pursuant to section 135 of the *Companies Act* (Nova Scotia), which requires BOW to pay all debts and liabilities of BCFC and which is triggered by, among other events, the bankruptcy of BCFC;

h) BCFC has, to date, failed or refused to make full disclosure of the foregoing transactions or to investigate whether any of those transactions give rise to potential claims against either other Petitioners or BCFC's officers and directors;

i) The appointment of a trustee in bankruptcy or an independent and disinterested third party to investigate, assert, protect and pursue the claims and remedies of BCFC with powers to cause BCFC to file an assignment in bankruptcy would ensure that all of BCFC's claims are fully asserted, that the interests of BCFC and of its creditors are not being improperly compromised or sacrificed for the benefit of other entities of the group and that BCFC would have a "seat at the table" in any negotiations of a Plan;

B. PETITIONERS' GROUP OF COMPANIES AND CCAA PROCEEDINGS

3. On April 17, 2009, this Court issued an Initial Order pursuant to sections 4, 5 and 11 of the Companies' Creditors Arrangement Act (the "**CCAA**") granting the relief sought by petitioners (i) Abitibi-Consolidated Inc. ("**ACI**") and certain subsidiaries thereof (the "**Abitibi Petitioners**"), (ii) **BCHI** and certain subsidiaries thereof (the "**Bowater Petitioners**" and together with the Abitibi Petitioners and the 18.6 Petitioners (defined below), the "**Petitioners**") and (iii) certain affiliated partnership (the "**Partnerships**") in their Petition for an Initial Order (the "**Petition**"), the whole as it appears from the Court file;

4. The Abitibi Petitioners include ACI, Abitibi-Consolidated Company of Canada, 3224112 Nova Scotia Limited, Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Inc., 40421140 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., 9150-3383 Quebec Inc. and Abitibi-Consolidated (U.K.) Inc.;

5. The Bowater Petitioners include BCHI, BCFC, Bowater Canadian Forest Products Inc. (**"BCFPI"**) Bowater Canadian Limited, 3231378 Nova Scotia Company, AbitibiBowater Canada Inc., Bowater Canada Treasury Corporation, Bowater Shelburne Corporation, Bowater LaHave Corporation, St-Maurice River Drive Company Limited, Bowater Treated Wood Inc., Canexel Hardboard Inc., 9068-9050 Quebec Inc., Alliance Forest Products (2001) Inc., Bowater Belledune Sawmill Inc., Bowater Maritimes Inc., Bowater Mitis Inc., Bowater Guerette Inc., and Bowater Couturier Inc.;

6. Simultaneous with the filing of the Petition, AbitibiBowater Inc., BOW and certain of their U.S. and Canadian subsidiaries (the "**18.6 Petitioners**") obtained an order from this Court pursuant to section 18.6 of the CCAA recognizing the cases commenced by these entities under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware on April 16, 2009;

7. The 18.6 Petitioners include AbitibiBowater Inc., BOW, AbitibiBowater US Holding 1 Corp., Bowater Ventures Inc., Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Catawba Property Holdings LLC, Bowater Finance Company Inc., Bowater South American Holdings Inc., 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;

8. The Petition provides organizational charts illustrating the basic corporate structure of the ABH group of companies and each of the ACI Group and the BOW Group, the whole as it appears from the said charts, produced *en liasse* herewith as **Exhibit R-2**;

9. On April 17, 2009, the Initial Order requested was issued, the whole as it appears from the Court file;

10. Ernst & Young Inc. ("**EY**") was appointed as the sole Monitor for the fifty-five (55) companies included as the Petitioners ("**Debtors**");

C. BCFC

11. BOW formed BCFC for the purpose of providing financing to BOW in Canada;

12. BCFC is the issuer of the Notes and is an unlimited company organized under the laws of Nova Scotia. BCFC is a wholly owned subsidiary of BOW;

13. BOW is also BCFC's sole shareholder, and as such has obligations under section 135 of the *Companies Act* (Nova Scotia) to make contributions to BCFC to satisfy all creditor claims;

14. The Petition includes three (3) brief mentions of the Notes, at paragraphs 58 and 216 and in Exhibit 20, where the Debtors state that the principal outstanding on the Notes is US$600 million, with a maturity of November 15, 2011;

15. The only reference to BCFC in the CCAA initial proceedings is at paragraph 58 of the Petition, which reads as follows:

> Bowater Canada Finance Corporation ("BCFC") is a Nova Scotia company having its registered office in Halifax, Nova Scotia. The company is wholly owned by BI and is the issuer of the US$600 million in 7.95% Notes due November 15, 2011.

D. PRELIMINARY REPORT FROM THE MONITOR

16. On April 16, 2009, EY issued a preliminary report (the "**Preliminary Report**") as proposed monitor;

17. The Preliminary Report provided certain financial information for only four (4) entities: AbitibiBowater Inc. (consolidated), ACI (consolidated), BOW (consolidated), and BCFPI (unconsolidated);

18. The financial information included for these four (4) entities included sales, operating income, interest and net income for the nine months ended September 30, 2008, and various assets and liabilities;

19. In the Preliminary Report, BCFPI was the only individual BOW Petitioner for which selected financial information was presented on an unconsolidated basis;

20. Furthermore, AbitibiBowater Inc., the parent company, was the only non-operating entity for which financials were provided;

21. The only mention of the other BOW Petitioners in the Preliminary Report was the following: "*The balance of the [BOW] Group's corporate structure primarily consists of a combination of holding, finance, special purpose, non-operating and sales entities in both the CCAA and Chapter 11 proceedings,*" the whole as it appears from the Preliminary Report, at page 6, item 33;

22. Of the thirty-three (33) reports the Monitor has issued since its appointment, not one report sets forth the assets and liabilities of any of the fifty-five (55) individual petitioners other than BCFPI and ACI in a systematic way;

E. INTEREST OF AURELIUS CAPITAL MANAGEMENT, LP AND CONTRARIAN CAPITAL MANAGEMENT, L.L.C.

23. The Petitioner-Noteholders Aurelius Capital Management, LP and Contrarian Capital Management, L.L.C. hold approximately US$200 million of the 7.95% Notes due November 15, 2011 (the "**Notes**") issued by BCFC, pursuant to the Note Agreements already produced as Exhibit R-1;

24. The Notes, in the principal amount of US$600 million, are the largest single issue of bonds at the BOW entities, according to the Bowater Entities Bond Indebtedness document produced as Exhibit 20 to the Petition (produced as **Exhibit R-3**), and the only bonds issued by BCFC;

25. The Notes are an unsecured debt of BCFC and are unconditionally guaranteed by BOW;

26. The insolvency proceedings in which BCFC is a debtor constitute an Event of Default under the Notes, in accordance with the Note Agreements;

27. Recoveries from BCFC will be impacted by, among other things, the recoveries from BCHI and any other parties that may have obligations towards BCFC or in which BCFC or BCHI may hold an interest;

28. In addition to its obligation as guarantor, under section 135 of the *Companies Act* (Nova Scotia), BOW, as the sole shareholder of BCFC, is required to make contributions to BCFC to satisfy all creditor claims of BCFC (the "**Contribution Claim**"). The Contribution Claim is triggered by, among other events, the bankruptcy of BCFC;

29. As a result of its obligations under the Contribution Claim, BOW is directly adverse in interest to BCFC;

30. Further, as a result of BCFC's status as preferred shareholder of BCHI, there is a misalignment between the interests of BCFC and those of BOW, which owns the common shares of BCHI;

F. INTERCOMPANY TRANSACTIONS

31. The Petitioner-Noteholders state that the facts outlined in this motion, including the description of preferred stock, are based upon cursory information from the Debtors and the Monitor. No information relating to the series of intercompany transactions set out below has been made available to the public by either the Petitioners or the Monitor in the course of these CCAA proceedings. The Petitioner-Noteholders reserve all of their rights to challenge these factual assertions, including without limitation, the characterization of intercompany obligations as preferred stock as opposed to debt, and the rights, priorities and preferences of any intercompany obligations or interests;

32. The Petitioner-Noteholders believe based on a review of the scant information available in the public record prior to these proceedings (and which neither the Petitioners nor the Monitor has confirmed) that through a series of intercompany transactions beginning in 2001, BCFC transferred directly and indirectly substantially all the proceeds of the issuance of the Notes to BOW and its subsidiaries, and that BCFC's interest in BCFLP was converted to Class A preferred shares in BCHI (the "**Preferred Shares**"). These intercompany transactions are summarized as follows:

a) On October 31, 2001, BCFC sold US$600 million principal amount of ten year Notes at an interest rate of 7.95%, with BOW acting as unconditional guarantor as appears from the Purchase Agreement and the Indenture Agreement (already produced as Exhibit R-1);

b) The proceeds from the sale, namely US$593 million, were used by BCFC for the following purposes:

i) to acquire 99% of BCFLP from BOW, and

ii) to capitalize Bowater Canada Treasury Corporation, a wholly-owned subsidiary of BCFC, which then acquired the remaining 1% of BCFLP from Bowater Ventures ("**BOW Ventures**"), a wholly-owned subsidiary of BOW;

c) BOW and BOW Ventures used the proceeds from the sale to, among other things, repay all amounts outstanding under a bridge credit agreement used to finance the cash portion of the purchase price for the acquisition of Alliance Forest Products Inc. ("**Alliance**") and certain items of Alliance's outstanding debt, which took place on or about September 24, 2001,

the whole as appears from the BCFC Notes Prospectus as filed with the US SEC on December 10, 2001, produced as **Exhibit R-4**;

d) On or about September 24, 2001, Bowater Pulp and Paper Canada Holdings LP ("**BPPC**") acquired BCFPI, and on January 1, 2002, Alliance and BCFPI merged and became BCFPI as appears from the BPPCI Consolidated Statements for the years ended December 31, 2001 and 2000 produced as **Exhibit R-5;**

e) In May 2002, BCHI engaged in transactions with BOW that resulted in BCHI's reduction of paid-up capital in the name of BOW in the amount of US$787 million:

i) BCHI assigned to BOW US$423 million of receivables owed from Bowater Alabama and Bowater US Holdings,

ii) BCHI assigned to BOW US$128 million of debt owed from BPPC dated November 30, 2001,

iii) BCHI cancelled debt owed from BOW of US$145 million effective as of November 6, 2001, US$17 million dated September 24, 2001 and US$75 million effective as of September 24, 2001, and

iv) BCHI paid a special dividend to BOW of C$55 million,

the whole as appears from the Order of the Supreme Court of Nova Scotia dated May 17, 2002 produced as **Exhibit R-6**;

f) In February 2006, BOW, BCFPI and BCHI engaged in a series of debt-to-equity conversions that resulted in BCFPI converting US$565 million of notes and advances from affiliates into 642,758 Class A Preferred Shares, all of which went to BCHI:

i) BOW transferred to BCHI an advance in the amount of US$400 million it was owed from BCFPI in exchange for common shares of BCHI,

ii) The advance was immediately cancelled, and in exchange, BCHI received 455,200 Class A preferred shares in BCFPI, and

iii) Notes held by BCHI in the aggregate of US$164 million were cancelled for 187,558 additional Class A Preferred Shares in BCFPI,

the whole as appears more fully appears from the BCFPI Management's Discussion and Analysis of Financial Condition and Results of Operations dated April 26, 2007, produced herewith as **Exhibit R-7**;

g) In the first quarter of 2007, BCFC engaged in transactions with BCHI that resulted in BCFC holding Class A preferred shares in BCHI and BCHI holding Class C shares of BCFPI:

i) BCFC exchanged the LP units held in BCFLP for Class A preferred shares in BCHI as appears from the BCHI Resolution dated January 19, 2007 produced as **Exhibit R-8,** and

ii) BCHI transferred a 99% interest in BCFLP to BCFPI in exchange for Class C shares of BCFPI as appears from the BCFPI Interim Financial Statements, Three and Six Months Ended June 30, 2007 produced as **Exhibit R-9**;

h) Therefore, at the end of the transactions, it appears that the proceeds from BCFC's issuance of US$600 million Notes were injected in other companies, and that BCFC ultimately obtained preferred shares of BCHI;

33. Full particulars of the foregoing transactions have not been disclosed either prior to or in the course of these proceedings;

34. Further, the Petitioner-Noteholders do not believe that any assessment or review of the foregoing transactions has been undertaken by either BCFC or the Monitor to determine whether they give rise to any potential claims by BCFC;

G. CONCERNS WITH RESPECT TO BCFC

35. The Petitioner-Noteholders' concerns emanate from four (4) unique characteristics of BCFC: (i) its status as a pure financing vehicle for BOW and the absence of a business to restructure; (ii) the fact that recoveries to BCFC and its creditors are contingent solely on pursuit of claims against other BOW entities which BCFC has failed to pursue; (iii) the lack of transparency and information with respect to the multitude of corporate transactions in which BCFC has been involved for the past nine (9) years; and (iv) the inappropriate inclusion of BCFC as Petitioner-Debtor in the CCAA proceeding, notwithstanding having no business to restructure and no independent advisors could result in the claims of BCFC and its creditors being unduly compromised or sacrificed for the benefit of other Petitioners-Debtors and stakeholders;

BCFC is merely a financing vehicle and has no business to restructure under the CCAA

36. BCFC was formed in order to enable BOW to engage in tax-advantaged financing;

37. Unlike the other BOW Debtors and Applicants, BCFC has no independent operations or employees and does not actively carry on business;

38. BCFC's material liabilities consist of the Notes, and its material assets appear to consist of its preferred shares in BCHI and the Contribution Claim;

39. BCFC is not an obligor or borrower, nor has it received any proceeds from the DIP loan;

40. In essence, BCFC has no business to restructure. It merely has non-operating assets, the value of which its directors and officers should be seeking to maximize for the benefit of BCFC and its creditors;

41. Consequently, as a result of its insolvency and the absence of any active business to restructure, BCFC should file an assignment in bankruptcy under the BIA;

Recovery to BCFC and its creditors is contingent solely on the pursuit of claims against other BOW entities

42. Having an independent fiduciary preserving, protecting and pursuing the Contribution Claim, as well as all other claims of BCFC, will ensure that the value of BCFC's estate is maximized for the benefit of its creditors;

43. The conflicted directors of BCFC are in the difficult position of having to assert claims against other companies of which they are also directors;

44. BCFC has no seat at the table in any plan of arrangement which will be put forth. This is manifestly improper in these Proceedings;

There has been a consistent lack of transparency and unwillingness to provide information with respect to the multitude of corporate transactions in which BCFC has been involved for the past nine (9) years

45. To date, BCFC has failed or refused to provide particulars of its assets and liabilities either at the either date of the commencement of these Proceedings or any other time;

46. Because of BCFC's unique characteristics as a financing vehicle with claims only against other Debtors, it is absolutely essential that information relating to all claims and potential claims be made available to the public and investigated and pursued by an independent third party;

47. The financial information that has been publicly disclosed in the US and Canada is grossly insufficient to make these determinations, given the complexity of the current and historical relationships between and among BOW entities;

48. With respect to Petitioners that are also US filers, ongoing post-Petition Date entity-by-entity financial information is being released in the Monthly Operating Reports and certain asset and liability data as of the Petition Date has been released in the Statements of Financial Affairs and Schedules of Assets and Liabilities, but no information has been disclosed with respect to historical dealings for any companies other than US filers;

49. With respect to Petitioners that are not also US filers, no individual financial information has been released, and accordingly, no demonstration of the insolvency of those entities has been made in these proceedings, although such demonstration should have been made for them to be considered petitioners under the CCAA;

50. BCFC's creditors have the right to be ensured that the interests of BCFC are not being sacrificed for the benefit of any other Petitioners;

51. The objective concern that the assets of BCFC or any of its related entities have been or are now being sacrificed to the detriment of the Noteholders and the benefit of other Petitioners cannot be verified at this time given the lack of disclosure of any meaningful information;

The claims of BCFC's creditors could be unduly compromised or sacrificed

52. The inappropriate inclusion of the BCFC in the CCAA proceeding could result in the claims of BCFC's creditors being unduly compromised or sacrificed as:

    a) Petitioners-Debtors have failed to investigate the intercompany dealings involving BCFC in order to ensure that intercompany dealings are addressed appropriately, at arm's length, and in the best interest of BCFC;

b) Petitioners-Debtors have failed to pursue BCFC's claims against the other BOW entities;

c) BCFC has no independent directors or professionals who will ensure that intercompany dealings are addressed appropriately, at arm's length, and in the best interest of BCFC;

d) Meanwhile, BOW has announced its intention to file a Plan of Reorganization by the end of the first quarter of 2010;

H. ATTEMPTS TO OBTAIN INFORMATION FROM THE MONITOR AND ADDRESS CONFLICT OF INTEREST CONCERNS

53. Aurelius has made several attempts to obtain information from the BCFC and from the Monitor for all Noteholders about the financial status of the Relevant Entities insofar as that information is directly relevant to the financial circumstances of BCFC and its ability to pay it creditors;

54. On September 2, 2009, Aurelius forwarded a letter to the Directors of BCFC to raise concerns to the conflicts of interest as it appears from said letter produced herewith as **Exhibit R-10**;

55. On October 5, 2009, the Monitor forwarded a letter to Aurelius in response to Aurelius's letter to the directors of BCFC (which raised concerns relating to the conflicts of interest) denying any conflict of interest in the file, as set out in Aurelius's letter dated September 2, 2009 and the Monitor's letter produced as **Exhibit R-11**;

56. On September 15, 2009, Aurelius, through its attorneys, requested that the Monitor provide certain financial information relevant to BCFC as it appears from said letter produced herewith as **Exhibit R-12**;

57. The Monitor's letter (R-11), did not substantially and satisfactorily address the issues and request for information contained in Aurelius's letter R-10;

58. On October 29, 2009, Aurelius, through its former attorneys, reiterated its request for information, as it appears from said letter produced herewith as **Exhibit R-13**;

59. The Monitor's counsel sent a letter dated November 12, 2009 to Aurelius's former attorneys advising that the Petitioners would not provide financial information about the specific Petitioners unless a confidentiality agreement was executed, as set out in the said letter produced herewith as **Exhibit R-14**;

60. Significantly, in its letter of November 12, 2009 (R-14), the Petitioners (through the Monitor) have cautioned that not all of the requested financial information is available in the data room established by the Petitioners;

61. The Petitioners refuse to provide access to the data room on a lawyer's only basis to counsel for the Petitioner-Noteholders (subject to execution by counsel of a confidentiality agreement) and insist that the Petitioner-Noteholders themselves must be party to the confidentiality agreement;

62. Requiring the Petitioner-Noteholders to sign a confidentiality agreement and refusing to provide access on a lawyer's only basis are particularly unreasonable where the Petitioners have already advised that much of the requested information is not even in the data room;

63. The Petitioners have consistently failed to justify their refusal to provide the requested information, other than to suggest (through the Monitor) that it is onerous and will be a distraction, as appears from the Contestation filed by Petitioners-Debtors in connection with Petitioner-Noteholders' Motion to Obtain Financial Information and the Monitor's report filed in connection therewith;

64. This refusal to provide any real disclosure creates serious concerns about a lack of transparency and causes serious apprehension that the Petitioners are refusing to disclose relevant and material information in order to make it more difficult for creditors to properly assess whether to approve a Plan or whether bankruptcy would give rise to a better outcome;

65. Further, this lack of transparency gives rise to serious concerns that no one on behalf of BCFC has or is undertaking any proper investigation to determine what potential claims it has against other Debtors;

I. BCFC'S UNIQUE POSITION AND THE RESULTING NEED FOR AN ASSIGNMENT IN BANKRUPTCY OR THE APPOINTMENT OF AN INDEPENDENT AND DISINTERESTED THIRD PARTY AND PUBLIC DISCLOSURE OF THE REQUESTED FINANCIAL INFORMATION

66. Because BCFC's primary assets are claims against or preferred equity interests in other Debtors, BCFC is adverse in interest to all of the other Debtors in this Proceeding;

67. BCFC has claims against or interests in other Bowater entities that have sought protection under either the CCAA or the companion US Chapter 11 proceedings;

68. The appointment of an independent and disinterested third party to investigate, assert, protect and pursue the claims and remedies of BCFC with powers to cause BCFC to file an assignment in bankruptcy on behalf of BCFC would ensure that all claims of BCFC are fully asserted, and that the interests of BCFC and of its creditors are not being improperly compromised or sacrificed for the benefit of other entities of the group;

69. Compounding the potential problems arising from BCFC's adversity of interest is the fact that BCFC is deprived of unconflicted advisors, given that BCFC is represented by the

same counsel, financial advisors and Monitor as all of the other Petitioners, against whom BCFC is adverse in interest;

70. Further, these conflicts are exacerbated by the fact that BCFC, BCHI and BOW have overlapping officers and directors;

71. Among other things, there is no one representing BCFC to ensure that intercompany dealings are addressed appropriately, at arm's length, and in the best interest of BCFC;

72. This adversity of interest and lack of independent fiduciaries of BCFC gives rise to the Petitioner-Noteholders' legitimate concern that the interests and claims of BCFC are or will be sacrificed for the benefit of BOW and the other Petitioners. Currently, BCFC has no one independent protecting its interests or those of its creditors;

73. All of the foregoing irreconcilable duties and inherent conflicts of interest would be resolved by the appointment of a trustee in bankruptcy or an independent and disinterested third party to (i) investigate BCFC's assets and liabilities and report to BCFC's creditors and to this Honourable Court; and (ii) to investigate, assert, protect and pursue BCFC's claims and remedies, including by causing BCFC to cause to file an assignment in bankruptcy of BCFC with the appointment of an independent trustee selected by the Petitioner-Noteholders, with independent counsel at Petitioners-Debtors' cost;

74. The appointment of a disinterested party such as a trustee in bankruptcy would provide for an independent fiduciary to ensure that the interests of BCFC are properly represented in the development of any plan of arrangement of the other Debtors and that any potential claims, including those arising from the series of transactions set out in paragraph 32 and any other claims BCFC may have are properly assessed and asserted;

75. Appointing a trustee in bankruptcy or an independent disinterested third party with powers which include causing BCFC to make an assignment in bankruptcy resolves the conflict issues for the officers, directors, counsel to the Petitioners, and the Monitor and will ensure that an independent trustee, with unconflicted counsel, will investigate and assert the claims of BCFC and protect its interests in any negotiations relating to the Petitioners' plan of reorganization or arrangement;

76. Additionally, a bankruptcy is one way (but not the only way) to crystallize BCFC's claim against BOW under Section 135 of the *Companies Act* (Nova Scotia). Finally, it will also ensure that information relating to BCFC's claims, assets and intercompany transactions are made available to the creditors of BCFC;

77. Ordering the appointment of an independent disinterested third party with powers which include causing BCFC to file an assignment in bankruptcy will not impair these restructuring proceedings since BCFC is not an operating company and its only assets appear to be claims against or interests in the other Petitioners;

78. BOW has announced that it expects to put forward a Plan of Reorganization by the end of the first quarter of 2010. There is no one "at the table" advocating for and protecting the

interests of BCFC in negotiations relating to the Plan, to the detriment of the Noteholders and all other creditors of BCFC. Furthermore, there is no one representing BCFC to ensure that intercompany dealings are addressed appropriately on an arm's-length basis and in the best interest of BCFC. Accordingly, it is critical that the requested relief be provided promptly;

79. This Motion is well founded in fact and in law;

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

GRANT the present Motion;

ORDER the officers and directors of BCFC to file an assignment in bankruptcy under the *Bankruptcy and Insolvency Act* appointing a trustee nominated by the Petitioner-Noteholders as trustee of the estate of BCFC;

DISCHARGE Ernst & Young as Monitor of BCFC;

DECLARE that the interests of the officers and directors of BCFC, the lawyers of record and counsel for the Petitioners, Stikeman Elliott LP, and the Monitor conflict irreconcilably with the interests of BCFC;

ALTERNATIVELY:

AUTHORIZE the Petitioner-Noteholders to appoint an independent and disinterested third party at Petitioners-Debtors' cost to investigate the assets and liabilities of BCFC, and all intercompany transactions having taken place in the three years preceding the date of the Petition relating to BCFC and to report its findings to BCFC's creditors and to this Honourable Court;

AUTHORIZE the independent and disinterested third party to cause BCFC to file an assignment in bankruptcy under the BIA and to investigate, assert, protect and pursue the claims and remedies of BCFC and to report its findings to BCFC's creditors and to this Honourable Court;

ORDER other ancillary relief;

THE WHOLE without cost, except if contested.

Montreal, March 10, 2010

Fraser Milner Casgrain LLP

FRASER MILNER CASGRAIN LLP
Attorneys for Petitioner-Noteholders Aurelius Capital Management, LP and Contrarian Capital Management, L.L.C.

AFFIDAVIT

I, the undersigned, DAN GROPPER, Managing Director, exercising my profession at 535 Madison Avenue, 22nd Floor, New York, New York, USA 10022, solemnly declare as follows:

1. I am a duly authorized representative of Aurelius Capital Management, LP;

2. The facts alleged in the present Motion are to my knowledge and are true.

AND I HAVE SIGNED:

Dan Gropper

DAN GROPPER

State of New York
County of New York) ss.:

Subscribed and **SOLEMNLY AFFIRMED** before me at New York, this 10th day of March, 2010
By Dan Gropper

Michelle Roditi

MICHELLE RODITI
Notary Public - State of New York
NO. 01RO6194247
Qualified in New York County
My Commission Expires 9/29/2012

NOTICE OF PRESENTATION

TO: SERVICE LIST

TAKE NOTICE that the foregoing Motion shall be presented for adjudication before this Honourable Court of the Court House of Montreal, 1 Notre-Dame Street East, for such date as may be fixed by this Honourable Court.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, March 10, 2010

Fraser Milner Casgrain LLP

FRASER MILNER CASGRAIN LLP
Attorneys for Petitioner-Noteholders
Aurelius Capital Management, LP and
Contrarian Capital Management, L.L.C.

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

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 in Schedules A, B and C

Petitioners-Debtors

and

ERNST & YOUNG INC.

Monitor

and

AURELIUS CAPITAL MANAGEMENT, LP, having its head office at 535 Madison Avenue, 22nd Floor, New York, NY, 10022

and

CONTRARIAN CAPITAL MANAGEMENT, L.L.C.
having its head office at 411 West Putnam Avenue, Greenwich, CT 06830

Petitioner-Noteholders

LIST OF EXHIBITS

Exhibit R-1 *En liasse*, Purchase Agreement and an Indenture Agreement, dated as of October 31, 2001;

Exhibit R-2	*En liasse*, Charts of ABH, ACI and BI (produced with the Petition);
Exhibit R-3	Bowater Entities Bond Indebtedness (produced with the Petition);
Exhibit R-4	BCFC Notes Prospectus dated December 10, 2001;
Exhibit R-5	*En liasse*, BPPCI Consolidated statements for the year ended December 31, 2001 and 2000;
Exhibit R-6	Order of the Supreme Court of Nova Scotia dated May 17, 2002;
Exhibit R-7	BCFPI Management's Discussion and Analysis of Financial Condition and Results of Operations dated April 26, 2007;
Exhibit R-8	BCHI Resolution dated January 19, 2007;
Exhibit R-9	BCFPI Interim Financial Statements, Three and Six Months Ended June 30, 2007;
Exhibit R-10	Letter from Aurelius dated September 2, 2009 addressed to the Directors of BCFC;
Exhibit R-11	Letter from the Monitor to Aurelius dated October 5, 2009;
Exhibit R-12	Letter to the Monitor dated September 15, 2009 requesting financial information;
Exhibit R-13	Letter to the Monitor dated October 29, 2009 reiterating the request for financial information;
Exhibit R-14	Monitor's letter dated November 12, 2009 to Aurelius's former attorneys.

Montreal, March 10, 2010

Fraser Milner Casgrain LLP

FRASER MILNER CASGRAIN LLP
Attorneys for Petitioner-Noteholders
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and

AURELIUS CAPITAL MANAGEMENT, LP

and

CONTRARIAN CAPITAL MANAGEMENT, L.L.C.

Petitioner-Noteholders

LD/9025 541555-2

Motion for the Issuance of an Order Directing Bowater Canada Finance Corporation to File an Assignment in Bankruptcy or Alternatively, an Seeking the Appointment of an Independent and Disinterested Third Party to Investigate, Assert, Protect and Pursue the Claims and Remedies of Bowater Canada Finance Corporation

Original

FMC

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