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* (the "**Chapter 11 Proceedings**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**") 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 four occasions by orders of this Court dated respectively May 14, September 4, December 11, 2009 and March 12, 2010 (the latter being the "**Fourth Stay Extension Order**"), the whole as appears from the Court record. The Stay Period, as extended by the Fourth Stay Extension Order, expires on June 18, 2010.

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[1] The Abitibi Petitioners are Abitibi-Consolidated Inc., Abitibi-Consolidated Company of Canada, 3224112 Nova Scotia Limited, Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated., 4042140 Canada Inc., Donohue Recycling Inc., 1508756 Ontario Inc., 3217925 Nova Scotia Company, La Tuque Forest Products Inc., Abitibi-Consolidated Nova Scotia Incorporated, Saguenay Forest Products Inc., Terra Nova Explorations Ltd., The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd. and 9150-3383 Québec Inc. 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 July 30, 2010.

C. RECENT DEVELOPMENTS

6. Since the issuance of the Fourth Stay Extension Order, the Petitioners have made and continue to make significant efforts to address the concerns of all stakeholders.

1. Reorganization Plan

7. In the motion which led to the Fourth Stay Extension Order, the Petitioners explained that the critical elements of a joint plan of compromise and arrangement remaining to be determined were (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 significant progress on all of these fronts.

8. On May 4, 2010, the Petitioners filed a CCAA Plan of Reorganization and Compromise (the "**CCAA Plan**") with this Court and a Debtor's Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code (the "**U.S. Plan**" and together with the CCAA Plan, the "**Plans**") with the U.S. Court, both of which outlined a classification scheme and resultant form of recoveries for all of the Petitioners' creditors.

9. On May 24, 2010, the Petitioners filed amended Plans, along with related information circular and disclosure statement, in both the CCAA Court and the U.S. Court. The unsecured creditors committee supports the Plans.

10. These filings provide greater specificity regarding recoveries by unsecured creditors, while maintaining the classification scheme as proposed in the May 4, 2010 draft Plans. The Plans specify that non-disputed pre-filing secured, administrative and priority claims would be paid in full in cash, or satisfied as otherwise agreed, at emergence. The Plans also provide that ABH's common stock will be cancelled and holders will receive no recoveries, while unsecured claims would receive a pro rata share of equity in the reorganized company upon emergence, subject to certain conditions.

11. Before emergence, the Petitioners must obtain adequate exit financing and complete efforts to address labor costs and pension issues, as well as satisfy other conditions set forth in the Plans. ABH has commenced a process to obtain an exit financing package. In connection with this exit financing, ABH has secured a backstop commitment from certain unsecured noteholders for a rights offering of

up to US$500 million along with a commitment to support the restructuring process.

12. In this rights offering, ABH would offer new convertible notes with a seven-year maturity from the date of closing to eligible unsecured creditors. The notes would be obtained upon exercise of the rights and convertible into common stock of the reorganized company.

2. Labour and Pensions

13. A significant number of the Petitioners' collective bargaining agreements with respect to their paper operations in Eastern Canada expired at the end of April 2009. The Petitioners have engaged in 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.

14. ABH has reached agreements in principle with representatives of the SCEP and CSN subject to the resolution of multi-party pension deficit discussions that are ongoing between the Petitioners and various governments and unions in Canada, as described below.

15. The members of SCEP who work in the pulp and paper mills have ratified the agreements. SCEP members who work at one sawmill have rejected the agreements while members of the remaining applicable sawmills ratified the agreements. The members of CSN have ratified the agreements except for one local, which has yet to hold its vote.

16. The Petitioners have also made progress in the pension deficit funding discussions with various stakeholders, including the Government of Quebec, the Régie des rentes du Québec and the Financial Services Commission of Ontario.

17. It is a condition precedent to the implementation of the CCAA Plan (as defined below) that the following regulations be adopted in a form and substance satisfactory to the Petitioners: (i) a special funding relief regulation pursuant to the *Supplemental Pension Plans Act* (Québec) for the benefit of ABH and its subsidiaries with respect to the funding of their defined benefit registered pension plans; and (ii) a special funding relief regulation pursuant to the *Pension Benefits Act* (Ontario) for the benefit of ABH and its subsidiaries with respect to the funding of their defined benefit registered pension plans.

3. Claims Process

18. Pursuant to the terms of the claims procedure orders issued by this Court on August 26, 2009, January 18, 2010 and February 18, 2010, the Monitor and the Petitioners are continuing their review of the significant volume of claims which were filed with the Monitor or received from Epiq, the U.S. claims agent in the Chapter 11 Proceedings.

19. On March 23, 2010, this Court issued an Order approving the appointment, by the Petitioners, of additional Claims Officers and Grievance Claims Officers.

20. The Monitor is currently referring contested claims to the Grievance Claims Officers and Claims Officers and the adjudication of such claims has begun. A number of significant claims have already been withdrawn or settled and hearings on contested claims are expected to continue throughout the months of June and July 2010.

4. Litigation Proceedings

21. The Petitioners have continued to defend against several litigation proceedings brought against them by various stakeholders:

(a) on March 31, 2010, this Court issued a judgment (the "**EPA Judgment**") dismissing 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* and on May 18, 2010, the Court of Appeal dismissed the Province of Newfoundland and Labrador's *Motion for Leave to Appeal* of the EPA Judgment;

(b) on March 23, 2010, this Court held a case management conference in respect of a *Motion for the Issuance of an Order Directing Bowater Canada Finance Corporation to File an Assignment in Bankruptcy* or alternative relief filed against the Petitioners by Aurelius Capital Management LLP and Contrarian Capital Management LLP. Preparations for a hearing on the merits of this litigation are ongoing and a representative of the Petitioners was examined by the plaintiff's attorneys on May 20, 2010; and

(c) on April 19, 2010, the Municipality of Beaupré issued a seizure on the movable assets of the Petitioners without prior leave of this Court and on May 25, 2010, the Petitioners filed a *Requête en cassation de saisie-exécution mobilière* which is set to be heard in conjunction with the present motion.

the whole as appears from the Court record.

5. Disposal of Assets

22. 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 March 23, this Court issued a *Vesting Order in Respect of the Mackenzie Assets* in connection with the sale of certain assets located in the Province of British Columbia, a sale which is expected to close imminently;

(b) on April 26, 2010, this Court issued a *Jugement sur requête pour obtenir l'autorisation de procéder à la vente d'élément d'actif des Requérantes*

(Saguenay) in connection with the sale of a piece of land located in the Province of Quebec, a sale which is also expected to close imminently;

(c) on April 27, 2010, this Court issued a *Receivership Order* as well as an *Approval and Vesting Order* in connection with the Petitioners' *Amended Motion for an Order Authorizing the Sale of Non-Core Properties* for the sale, to an affiliate of the Petitioners, of two properties subject to potential environmental liability exposure located in the Province of Newfoundland and Labrador; and

(d) on May 3, 2010, this Court issued a *Vesting Order in Respect of the Fort William Land Swap* as well as a *Reasons For Judgment and Vesting Order in Respect of the Beaupré, Dalhousie, Donnacona and Fort-William Assets* in the context of an approval hearing for the sale of assets located in Quebec, New-Brunswick and Ontario. Approval and vesting orders were issued over the objections of a disgruntled bidder who opposed the sale.

6. Bridgewater Administration

23. 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.

24. On May 18, 2010 the Bridgewater mill was sold to the Manchester Ship Canal Company.

D. GROUNDS FOR THIS MOTION

25. The Petitioners are requesting an extension of the Stay Period until July 30 and expect to request a further extension of the Stay Period during the hearing on a motion for the issuance of a creditor's meeting order, which is expected to take place during the month of July, 2010.

26. The requested extension of the Stay Period is necessary in order to provide the Petitioners adequate time to move forward with the adjudication of disputed claims and to continue their ongoing negotiations with stakeholders in connection with the restructuring plan under the CCAA.

27. Since the issuance of the Fourth Extension Order, the Petitioners have 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.

28. The Monitor has indicated that it will be filing the Monitor's Fourty-Fourth Report (the "**Monitor's 44th Report**") which shall contain its recommendations and a review of the cash flow forecast of the Petitioners through and including July 30, 2010.

29. 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.

30. The Petitioners are of the view that extending the Stay Period to July 30, 2010 based upon the cash flow forecast to be reported upon in the Monitor's 44th Report is appropriate in the present circumstances.

31. Based on the foregoing, the Petitioners request that this Court further extend the Stay Period up to and including July 30, 2010, which date shall be the new Stay Termination Date, the whole subject to all the other terms of the Initial Order, as amended.

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

33. 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 July 30, 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, June 4, 2010

Stikeman Elliott LLP

Stikeman Elliott LLP
Attorneys for the Petitioners

AFFIDAVIT

I, the undersigned, Bruce Robertson, having a place of business at 39, Winford Dr., Toronto, Ontario, M3C 3K5 solemnly declare the following:

1. I am the Chief Restructuring 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

BRUCE ROBERTSON

Solemnly declared before me at TORONTO
on the 4th day of June, 2010

Name: Paloma Ellard
Title: Lawyer

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 **Room 16.12** of the Montreal Court House, 1 Notre-Dame St. East, on **June 9, 2010** at **9:15 a.m.**

DO GOVERN YOURSELVES ACCORDINGLY.

Montréal, June 4, 2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

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. *and 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)

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