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

LIST OF EXHIBITS AND EXHIBITS R-1 TO R-7

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#10588676 v1

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*, R.S.C., c. C-36, as amended)

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

LIST OF EXHIBITS OF THE PETITIONERS

(In support of *Motion for Advice and Directions)*

#10588457 v3

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Montréal, this 3 day of September, 2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

EXHIBIT R-1

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	Chapter 11
	:	Case No. 09-11296 (KJC)
ABITIBIBOWATER INC., *et al.*,[1]	:	Jointly Administered
Debtors.	:	

MOTION FOR ORDER PURSUANT TO THE COURT-TO-COURT PROTOCOL AUTHORIZING BOWATER INCORPORATED TO SEEK ADVICE AND DIRECTION FROM THE CANADIAN COURT

Bowater Incorporated ("Bowater"), one of the above-captioned debtors (collectively, the "Debtors"), by and through its undersigned counsel, hereby moves this Court for the entry of an order pursuant to the Court-to-Court Protocol (as defined below) authorizing it to seek advice and direction from the Canadian Court (as defined below) with respect to the nature and validity of the Contribution Claim (as defined below) under Canadian law. In support of this Motion, Bowater respectfully represents as follows:

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1 The Debtors in these cases, along with the last four digits of each Debtor's federal or Canadian tax identification number, are: AbitibiBowater Inc. (6415), AbitibiBowater US Holding 1 Corp. (6050), AbitibiBowater US Holding LLC (N/A), AbitibiBowater Canada Inc. (3225), Abitibi-Consolidated Alabama Corporation (4396), Abitibi-Consolidated Corporation (9050), Abitibi-Consolidated Finance LP (4528), Abitibi Consolidated Sales Corporation (7144), Alabama River Newsprint Company (7247), Augusta Woodlands, LLC (0999), Bowater Alabama LLC (7106), Bowater America Inc. (8645), Bowater Canada Finance Corporation (8810), Bowater Canadian Forest Products Inc. (2010), Bowater Canadian Holdings Incorporated (6828), Bowater Canadian Limited (7373), Bowater Finance Company Inc. (1715), Bowater Finance II LLC (7886), Bowater Incorporated (1803), Bowater LaHave Corporation (5722), Bowater Maritimes Inc. (5684), Bowater Newsprint South LLC (1947), Bowater Newsprint South Operations LLC (0186), Bowater Nuway Inc. (8073), Bowater Nuway Mid-States Inc. (8290), Bowater South American Holdings Incorporated (N/A), Bowater Ventures Inc. (8343), Catawba Property Holdings, LLC (N/A), Coosa Pines Golf Club Holdings LLC (8702), Donohue Corp. (9051), Lake Superior Forest Products Inc. (9305) and Tenex Data Inc. (5913). On December 21, 2009, ABH LLC 1 (2280) and ABH Holding Company LLC (2398) (the "SPV Debtors") commenced chapter 11 cases, which cases are jointly administered with the above-captioned Debtors. The Debtors' and SPV Debtors' corporate headquarters are located at, and the mailing address for each Debtor is, 1155 Metcalfe Street, Suite 800, Montreal, Quebec H3B 5H2, Canada.

PRELIMINARY STATEMENT[2]

1. As the Court is aware, one of the last remaining hurdles to successful resolution of these chapter 11 cases and the parallel Canadian proceedings is the determination of issues and claims that have been alleged by certain noteholders of BCFC. Those Minority Noteholders have alleged that BCFC (a) owns a Contribution Claim against Bowater arising under a Nova Scotia statute in the amount of $620 million, and (b) could potentially be the beneficiary of the Intercompany Claims – certain undefined claims to avoid a series of Canadian intercompany transactions involving certain unidentified Canadian affiliates of BCFC.

2. On June 25, 2010, this Court appointed Independent Advisors for BCFC to investigate the Contribution Claim and the Intercompany Claims. Today, September 1, 2010, the Independent Advisors filed, on behalf of BCFC, a proof of claim for the Contribution Claim. Bowater understands that the Independent Advisors are continuing their investigation of the Intercompany Claims.

3. The Contribution Claim is filed against Bowater. Bowater is a "U.S. Debtor" under the terms of the Cross-Border Claims Protocol. Accordingly, this Court is the appropriate Court under that protocol to determine the ultimate allowance and disallowance of the Contribution Claim.

4. Bowater will be objecting to the Contribution Claim in this Court. As a threshold matter, whether the Contribution Claim is a valid claim is uniquely a matter of Canadian law. The Contribution Claim is a claim arising under a Canadian statute, and is subject to defenses arising under Canadian law. In order to aid this Court in its ultimate determination of Bowater's objection to be filed to the Contribution Claim, Bowater is requesting authority to

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2 Capitalized terms not defined in the preliminary statement are defined below.

seek promptly advice and direction from the Canadian Court with respect to the nature and validity of the Contribution Claim under Canadian law (the "Advice Motion"). Bowater is seeking that advice from the Canadian Court pursuant to the terms of the Court-to-Court Protocol which expressly contemplates these precise circumstances – the ability of one Court having jurisdiction over the allowance of a particular claim to seek the advice and direction from the other Court with respect to matters of that other Court's laws governing the claim.

5. Assuming this Court grants the relief requested herein, Bowater will be back before this Court on an objection to the Contribution Claim as soon as it has received advice and direction from the Canadian Court on the nature and validity of the Contribution Claim under Canadian law.

6. Accordingly, to be clear, Bowater today is only seeking authority to ask the Canadian Court for advice and direction with respect to the application of Canadian law to the Contribution Claim – procedural relief consistent with the express intent of the Court-to-Court Protocol. Bowater is not seeking any other relief at this time. It will be back to this Court with respect to a formal objection to the Contribution Claim in due course, with this Court and all parties having the benefit of the Canadian Court's input on threshold matters of Canadian law that are critical to a determination whether the Contribution Claim is valid.

7. Solely for informational purposes for the Court, certain of the Cross-Border Debtors against whom it appears the Intercompany Claims have been alleged are awaiting completion by the Independent Advisors of the investigation of the Intercompany Claims. The current contemplation is that such Cross-Border Debtors will seek a determination from the Canadian Court consistent with the Cross-Border Claims Protocol with respect to the validity of the Intercompany Claims upon completion of a report by the Independent Advisors to

the BCFC board of directors on that investigation. The filing of any such motion with the Canadian Court may need to be accelerated, however, if such report is not completed on a timetable consistent with the confirmation and sanction hearing timeline.

8. Bowater and such Cross-Border Debtors all believe, for the reasons described below, that it is important to obtain the Canadian Court's view with respect to both the Contribution Claim and the Intercompany Claims prior to the "sanction hearing" in Canada and the confirmation hearing before this Court.

JURISDICTION

9. This Court has jurisdiction to hear this Motion under 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

10. On April 16, 2009 (the "Petition Date"), each of the Debtors – with the exception of the SPV Debtors – filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On April 17, 2009, certain of the Debtors (the "Cross-Border Debtors")[3] and non-debtor subsidiaries of AbitibiBowater Inc. (the "CCAA Debtors")[4] applied for protection

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3 The Cross-Border Debtors are: Bowater Canada Finance Corporation, Bowater Canadian Holdings Incorporated, AbitibiBowater Canada Inc., Bowater Canadian Forest Products Inc., Bowater Maritimes Inc., Bowater LaHave Corporation and Bowater Canadian Limited.

4 The CCAA Debtors are: Bowater Mitis Inc., Bowater Guerette Inc., Bowater Couturier Inc., Alliance Forest Products (2001) Inc., Bowater Belledune Sawmill Inc., St. Maurice River Drive Company, Bowater Treated Wood Inc., Canexel Hardboard Inc., 9068-9050 Quebec Inc., Bowater Canada Treasury Corporation, Bowater Canada Finance Limited Partnership, Bowater Shelburne Corporation, 3231078 Nova Scotia Company, Bowater Pulp and Paper Canada Holdings Limited Partnership, Abitibi-Consolidated Inc., Abitibi-Consolidated Company of Canada, Abitibi-Consolidated Nova Scotia Incorporated, 32117925 Nova Scotia Company, Terra-Nova Explorations Ltd., The Jonquiere Pulp Company, The International Bridge and Terminal Company, Scramble Mining Limited, 9150-3383 Quebec Inc., Star Lake Hydro Partnership, Saguenay Forest Products Inc., 3224112 Nova Scotia Limited, La Tuque Forest Products Inc., Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated, 4042410 Canada Inc., Donohue Recycling and 1508756 Ontario Inc.

from their creditors under Canada's Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA"), in the Superior Court, Commercial Division, for the Judicial District of Montreal, Canada (the "Canadian Court," and the filing, the "CCAA Proceeding"). Two of the CCAA Debtors thereafter filed petitions for recognition under chapter 15 of the Bankruptcy Code. AbitibiBowater Inc., Bowater, and certain of the Debtors also filed for ancillary relief in Canada seeking provisional relief in support of the Chapter 11 cases in Canada under the Canadian equivalent of chapter 15, section 18.6 of the CCAA.[5]

11. During the Chapter 11 cases, this Court approved two cross-border protocols: (a) the Crossborder Restructuring Protocol for AbitibiBowater Inc. and its Affiliates (the "Court-to-Court Protocol"), approved by order dated July 27, 2009 [Docket No. 760] and (b) the Cross-Border Protocol for the Determination of Claims Against the Cross-Border Petitioners (the "Cross-Border Claims Protocol"), approved by order dated January 19, 2010 [Docket No. 1581].

BCFC and the Issuance of the BCFC Notes

12. Bowater Canada Finance Corporation ("BCFC") is a wholly-owned subsidiary of Bowater organized as an unlimited liability company under Nova Scotia law. BCFC is a financing vehicle with no material operations. It owns preferred shares in Bowater Canada Holdings, Inc. ("BCHI"), a direct subsidiary of Bowater and the indirect owner of Bowater Canadian Forest Products Inc. ("BCFPI"), one of the Debtors' primary Canadian operating subsidiaries.

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5 The Debtors who obtained section 18.6 relief are: AbitibiBowater Inc., AbitibiBowater US Holding 1 Corp., Bowater Ventures Inc., Bowater Incorporated, Bowater Nuway Inc., Bowater Nuway-Midstates, 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.

13. On or about October 31, 2001, BCFC issued and Bowater guaranteed a series of 7.95% notes in the principal amount of $600 million (the "BCFC Notes") pursuant to an indenture among BCFC as issuer, Bowater as guarantor, and the Bank of New York, as trustee. BCFC used the proceeds of the BCFC Notes to acquire 99% of Bowater Canada Finance Limited Partnership ("BCFLP") from Bowater and to capitalize BCFC's wholly owned subsidiary, Bowater Canada Treasury Corporation, which then acquired the remaining 1% of BCFLP from Bowater Ventures, Inc., a wholly owned subsidiary of Bowater. Bowater and Bowater Ventures Inc. used the proceeds from those sales to repay certain amounts outstanding under a bridge loan agreement that was entered into in connection with Bowater's acquisition of Alliance Forest Products, Inc. (now BCFPI).

Certain Holders of BCFC Notes Allege Claims

14. Aurelius Capital Management, LP and Contrarian Capital Management L.L.C. (collectively, the "Minority Noteholders") are BCFC noteholders that have alleged the existence of the following claims: (a) a claim against Bowater for contribution (the "Contribution Claim") that allegedly arises under Section 135 of the Companies Act (Nova Scotia); and (b) amorphous claims (seemingly) against BCHI, BCFPI and/or certain of their Canadian affiliates in connection with certain intercompany transactions between Canadian entities that took place between 2001 and 2007, including against directors or officers of BCFC for alleged breaches of fiduciary duties (the "Intercompany Claims").

The Appointment of Conflicts Counsel and an Independent Officer for BCFC

15. The Minority Noteholders alleged that resolution of the Contribution Claims and the Intercompany Claims presented potential conflicts of interest between BCFC, on the one hand, and Bowater, on the other hand. While the Debtors believe that BCFC's officers, directors and retained professionals were fully capable and legally authorized to discharge their

fiduciary duties to BCFC in connection with resolving these potential intercompany disputes, in order to avoid even the appearance of impropriety, as well as unnecessary delay and litigation in the resolution of such claims, the Debtors determined to retain conflicts counsel for both BCFC and Bowater and to designate an independent officer at BCFC to investigate, among other things, the Contribution Claim and the Intercompany Claims, and to make recommendations to BCFC's board of directors on the appropriate course of action to be taken with respect to such claims.

16. On June 25, 2010, this Court approved the retention of Togut, Segal & Segal LLP as conflicts counsel to BCFC, and approved the retention of Jones Day as conflicts counsel to Bowater. On July 7, 2010, this Court approved the retention of AP Services, LLC as special advisor to BCFC, and the designation of Lisa Donahue as the Vice President-Restructuring for BCFC (together with Togut, Segal & Segal LLP, the "Independent Advisors").

Status of the Contribution Claim

17. On September 1, 2010, the Independent Advisors, on behalf of BCFC, filed a proof of claim with respect to the Contribution Claim, asserting a claim against Bowater in the amount off "at least" $620 million.

18. As BCFC has filed a proof of claim with respect to the Contribution Claim, Bowater intends to begin the objection process with respect to such claim, so that it may be resolved as expeditiously as possible. As the initial step in that objection process, Bowater is seeking the relief herein.

19. The nature and validity of the Contribution Claim under Canadian law have previously been presented to the Canadian Court for determination in the CCAA Proceedings. Specifically, on April 16, 2010, the Minority Noteholders filed with the Canadian Court their *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 (the "Motion to Convert," a copy of which is attached, without exhibits, as Exhibit A). In that Motion, the Minority Noteholders, among other things, requested that the Canadian Court order the officers and directors of BCFC to file a voluntary assignment in bankruptcy under the Bankruptcy Insolvency Act (the "BIA") appointing a trustee to the estate of BCFC, to be nominated by the Minority Noteholders, or alternatively, to authorize the Minority Noteholders to appoint an independent and disinterested third-party in respect of BCFC, to investigate and report on, among other things, the Contribution Claim and the Intercompany Claims.

20. In opposition to that Motion to Convert, the CCAA Debtors filed, among other pleadings, the *Memorandum of Argument of the Petitioners (Motion by Aurelius Capital Management, LP and Contrarian Capital Management, L.L.C.)* (the "Response to Motion to Convert," a copy of which is attached as Exhibit B). In that response, the CCAA Debtors argued that, in order for the Canadian Court to determine whether the Motion to Convert should be granted, the Court needed to assess the merits of the Contribution Claim and Intercompany Claims, as the alleged existence of those claims was the basis for the Minority Noteholders arguing for the relief requested. In doing so, the CCAA Debtors laid out the reasons under Canadian law why, among other things, no valid Contribution Claim existed. See, inter alia, Response to Motion to Convert at paras 97-132. On the day of the hearing on the Motion to Convert, after submission of the CCAA Debtors' Response to Motion to Convert, the Minority Noteholders withdrew their motion. Bowater submits that the Minority Noteholders withdrew the Motion to Convert in order to avoid, at all costs, a determination under Canadian law of,

among other things, the nature and validity of the Contribution Claim. *Given the foregoing history in the CCAA Proceedings, the Canadian Court is intimately aware of the Contribution Claim and the Canadian law issues that must be assessed to determine the nature and validity of such claim.*

Status of the Intercompany Claims

21. Upon information and belief, the Independent Advisors of BCFC are in the process of (i) conducting an investigation with respect to the Intercompany Claims, (ii) working to complete a formal report or reports of the results of the investigation, and (iii) preparing recommendations to the board of directors of BCFC on the course of action, if any, to be taken by BCFC in connection with such Intercompany Claims. Based on the pendency of this investigation, Bowater understands that the BCFC board of directors has not acted on the Intercompany Claims.

RELIEF REQUESTED

22. By this Motion, Bowater respectfully requests authority pursuant to the Court-to-Court Protocol to seek "advice and direction" from the Canadian Court with respect to the nature and validity of the Contribution Claim under Canadian law.[6] Threshold issues regarding the nature and validity of the Contribution Claim under the Canadian laws that govern such claim are most efficiently and expeditiously resolved by the Canadian Court. That is precisely what the Court-to-Court Protocol contemplates, and it expressly provides the mechanism for this Court to obtain such Canadian law input. The Canadian Court is best-

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6 As described below, the Court-to-Court Protocol provides, in relevant part, that this Court may "seek the advice and direction of the other Court in respect of the foreign law to be applied . . ." By this Motion, Bowater seeks authority to file a motion with the Canadian Court to seek such advice and direction as the procedural mechanism to implement the protocol. If this Court decides that it wishes to seek such advice and direction from the Canadian Court but wishes to proceed to obtain such input pursuant to a different mechanism or process, Bowater would, of course, comply with and aid any such process, and requests that this Motion be deemed to be a request therefor.

qualified to advise on Canadian law issues and is already familiar with the Canadian law issues that need to be addressed. Prompt resolution of the Contribution Claim will facilitate the orderly and efficient prosecution and implementation of the U.S. plan of reorganization (the "Chapter 11 Plan") and the Canadian plan of reorganization and compromise in these dual proceedings (the "CCAA Plan," and together with the Chapter 11 Plan, the "Plans").

BASIS FOR RELIEF REQUESTED

The Court-to-Court Protocol

23. Under the Cross-Border Claims Protocol, subject to certain exceptions, it is for this Court to determine whether to allow or disallow claims against "U.S. Debtors" (as defined therein). Bowater is a "U.S. Debtor" within the meaning of that protocol. Because the Contribution Claim is asserted against Bowater, this Court is the appropriate court to ultimately determine allowance or disallowance of the claim.

24. The Contribution Claim, however, is entirely a creature of Canadian law. The alleged claim arises under a Canadian statute -- namely, Section 135 of the *Companies Act (Nova Scotia)* -- and many defenses to such claim also arise under Canadian law. A determination whether the Contribution Claim is valid will require application of Canadian law to a number of questions, including:

(a) Whether a Section 135 Contribution Claim exists with respect to debt that is already guaranteed by the shareholder or member of the relevant corporation;

(b) Whether the Contribution Claim would be recognized under Canadian law in circumstances where it constitutes a double claim or "double proof" with respect to the same debt;

(c) Whether other equitable principles under Canadian law, including principles relating to the partnership law roots of Section 135, would preclude enforcement of the Contribution Claim;

(d) Whether, if BCFC became subject to a BIA proceeding and a trustee were appointed therein (threshold requisites, in Bowater's view, to pursuit of any Contribution Claim), the trustee in such proceeding could commence an action under Section 135 for the reasons listed above;

(e) Whether a Canadian Court would permit a BIA filing to occur where the purpose thereof would be to cause a BIA trustee to assert the Contribution Claim; and

(f) Whether, to the extent a Contribution Claim is assumed to exist, the amount of any such claim is reduced, among other things, by the value of the consideration distributed to the BCFC noteholders on account of the guarantee issued by Bowater or any other recoveries.

25. All of these questions and others that may arise in connection with the Contribution Claim are, in the first instance, entirely and uniquely questions of Canadian law. The Court-to-Court Protocol between this Court and the Canadian Court expressly contemplates precisely this scenario – where one Court has primary responsibility of a claim, but that claim is dependent on critical questions of law arising under the other Court's jurisdiction. Paragraph 13 of the Court-to-Court Protocol provides:

> Where one court has jurisdiction over a matter which requires application of the law of the jurisdiction of the other Court to determine an issue before it, the Court with jurisdiction over such matter may, among other things, hear expert evidence or seek the advice and direction of the other Court in respect of the foreign law to be applied, which advice will be made available to all parties in interest. Court-to-Court Protocol at ¶13.

26. Bowater submits that it is appropriate to seek advice and direction from the Canadian Court on the validity of the Contribution Claim under Canadian law. The Contribution Claim, to the extent it exists, arises under a Canadian statute, and must, in the first instance, be proved as a matter of Canadian law. This is no different than in any claims reconciliation process where the Court must determine whether a claim is valid as a matter of applicable non-bankruptcy law (usually, state law), and then apply bankruptcy law principles to

the allowance or disallowance of any claim that may exist. Here, the Canadian Court is best positioned to determine whether a valid Contribution Claim even exists under Canadian law. If the Canadian Court determines that it does, for whatever reason (which Bowater does not believe it will), then this Court will apply U.S. bankruptcy law principles to determine whether that claim will be allowed against Bowater. Bowater will demonstrate in its claim objection to be filed that any Contribution Claim that may exist under Canadian law (which it does not), should, in any event, be disallowed under U.S. bankruptcy law. However, Bowater submits that, before we get to those U.S. bankruptcy law principles, the Court should know whether any claim exists at all under applicable Canadian law in order to aid its deliberations. Because the Contribution Claim is unquestionably created, if at all, by Canadian law, it is appropriate to obtain the Canadian Court's view on its validity.

27. In addition, as noted above, many of these questions of Canadian law have already previously been presented to the Canadian Court in connection the Minority Noteholders' Motion to Convert in Canada. While the Canadian Court did not have an opportunity to opine on those questions because the Minority Noteholders withdrew their motion at the last minute on the day of the hearing, the Canadian Court is already aware of and familiar with the issues of Canadian law governing the nature and validity of the Contribution Claim. Accordingly, Bowater believes that seeking advice and direction from the Canadian Court on the threshold issues of the nature and validity of the Contribution Claim is the most efficient, timely and fair process for moving forward on the resolution of the Contribution Claim.

Need to Resolve the Contribution Claim

28. The Debtors have made substantial steps towards confirming their Chapter 11 Plan and emerging from chapter 11. As this Court is aware, the Debtors' disclosure statement

has been approved and a hearing on confirmation of the Chapter 11 Plan is scheduled for September 24, 2010 at 10:00 a.m. (Disclosure Statement Order, Docket 2824). The process is similarly quickly progressing to conclusion in Canada. In those proceedings, a creditors meeting, at which creditors will vote on the CCAA plan, is scheduled for September 14, 2010, and the sanction hearing is scheduled for September 20, 2010.

29. The Chapter 11 Plan can be confirmed without resolution of the Contribution Claim. However, the Contribution Claim as alleged is very large. Reserving for it will have a material impact on the distributions made to Bowater's other unsecured creditors on the effective date of the Chapter 11 Plan. Bowater believes that it is only fair to Bowater creditors that the validity of the Contribution Claim be determined once and for all, and quickly, so that creditors can have certainty as to their distributions and such distributions can be made promptly.

30. In addition, the CCAA Plan does not provide a reserve for the Intercompany Claims on the basis that the Cross-Border Debtors against whom such claims may be asserted do not believe there is any basis whatsoever for such claims. Accordingly, because any such Intercompany Claims will be compromised (or discharged, in chapter 11 vernacular) as against such Cross-Border Debtors pursuant to the CCAA Plan, such Cross-Border Debtors intend to seek a determination from the Canadian Court on the Intercompany Claims on or before the sanction hearing on the CCAA Plan. Since the Canadian Court will soon have the BCFC-related Intercompany Claims before it, Bowater submits that it is efficient and appropriate to seek the Canadian Court's input on the Contribution Claim at the same time.

Conclusion

31. Accordingly, now that a proof of claim has been filed with respect to the Contribution Claim, Bowater, by this Motion, seeks to start immediately the process to resolve the Contribution Claim in the fairest and most efficient way possible. If the Court grants this Motion, Bowater will file the Motion for Advice in the CCAA Proceedings. Upon receiving the advice and direction from the Canadian Court, Bowater will file an objection to the Contribution Claim in this Court. In resolving that objection, Bowater believes this Court would benefit from any determinations made by the Canadian Court with respect to issues of Canadian law related to the Contribution Claim.

32. Bowater respectfully submits that seeking advice and direction from the Canadian Court with respect to these matters will aid in the prompt resolution of one of the few remaining and critical issues in these cases, is in the best interests of its estate, its creditors, and all parties in interest, is consistent with the Court-to-Court Protocol and the Cross-Border Claims Protocol, and should be approved.

STATUS OF THE INTERCOMPANY CLAIMS

33. As noted above, solely to keep this Court apprised of the intended process for all BCFC-related matters, certain of the Cross-Border Debtors against whom it appears the Intercompany Claims have been alleged will be seeking, consistent with the Cross-Border Claims Protocol, determinations from the Canadian Court with respect to such claims (the "Intercompany Determination Motion"). In deference to the process undertaken by the Independent Advisors of BCFC, these Cross-Border Debtors have, to date, refrained from taking any action with respect to the Intercompany Claims until the Independent Advisors complete their investigation and issue their formal report or reports to the board of directors of BCFC with respect to such claims.

34. However, the filing of the Intercompany Motion relates, in part, to the timing needs of the Cross-Border Debtors and CCAA Debtors with respect to the CCAA Proceeding. In particular, as described above, it is important to the Cross-Border Debtors and CCAA Debtors that the Intercompany Claims be addressed at or prior to the sanction hearing, which is scheduled for September 20, 2010. Because the date of the sanction hearing is rapidly approaching, the timing for filing the Intercompany Determination Motion may need to be reconsidered if the formal report is not completed shortly.

RESERVATION OF RIGHTS

35. Certain parts of the discussion contained in this Motion have been included to apprise the Court and interested parties with respect to the Debtors' intended course of action. Nothing herein shall be construed as an admission or waiver of any of the Debtors' rights, defenses or options to proceed. The Debtors hereby expressly reserve their rights, defenses and options in all respects, including, without limitation, to (a) amend or supplement this Motion, and (b) object to each of the claims discussed herein in the future, with respect to the merits or otherwise, on any and all available grounds.

WHEREFORE, for the reasons set forth herein, Bowater respectfully requests that the Court (a) enter an order, substantially in the form of the attached Exhibit C hereto, granting the relief requested herein and (b) grant to Bowater such other and further relief as the Court deems appropriate.

Dated: Wilmington, Delaware
September 1, 2010

Respectfully submitted,

JONES DAY

/s/ Paul D. Leake

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

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EXHIBIT R-1

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