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 SANCTIONING THE PETITIONERS' PLAN OF REORGANIZATION AND COMPROMISE AND OTHER RELIEF

(Sections 6, 9 and 10 of the *Companies' Creditors Arrangement Act*, R.C.S. 1985 c. C-36 and Section 191 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44)

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:

I. PREAMBLE

1. On April 17, 2009, this Honourable Court (the "**Court**") issued an order (as subsequently restated and amended from time to time the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**" and the "**CCAA Proceedings**") in respect of (i) Abitibi-Consolidated Inc. and subsidiaries thereof[1] (the "**Abitibi Petitioners**") (ii) Bowater Canadian Holdings Inc. and subsidiaries and affiliates thereof[2] (the "**Bowater Petitioners**") and (iii) certain partnerships[3] (the "**Partnerships**").

2. 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**").

3. The Stay Period was extended on seven occasions by orders of this Court dated respectively May 14, September 4, December 11, 2009, March 12, June 9, July 9, and September 1, 2010 (the latter being the "**Seventh Stay Extension Order**"), the whole as appears from the Court record. The Stay Period, as extended by the Seventh Stay Extension Order, expires on September 30, 2010.

4. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. and certain of their U.S. and Canadian subsidiaries[4] (the "**U.S. Debtors**") filed voluntary petitions for

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[1] These subsidiaries are 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 as a CCAA Petitioner on November 10, 2009.

[2] These subsidiaries and affiliates are 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] These partnerships are Bowater Canada Finance Limited Partnership, Bowater Pulp and Paper Canada Holdings Limited Partnership and Abitibi-Consolidated Finance LP.

[4] These subsidiaries are AbitibiBowater US Holding 1 Corp., AbitibiBowater US Holding LLC, AbitibiBowater Canada Inc., Abitibi-Consolidated Alabama Corporation, Abitibi-Consolidated Corporation, Abitibi-Consolidated Finance LP, Abitibi Consolidated Sales Corporation, Alabama River Newsprint Company, Augusta Woodlands, LLC, Bowater Alabama LLC, Bowater America Inc., Bowater Canada Finance Corporation, Bowater Canadian Forest Products Inc., Bowater Canadian Holdings Incorporated, Bowater Canadian Limited, Bowater Finance Company Inc., Bowater Finance II LLC, Bowater LaHave Corporation, Bowater Maritimes Inc., Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Bowater South American Holdings Incorporated, Bowater Ventures Inc., Catawba Property Holdings, LLC, Coosa Pines Golf Club Holdings LLC, Donohue Corp., Lake Superior Forest Products Inc. and Tenex Data Inc. On December 21, 2009, ABH LLC 1 and ABH Holding Company LLC (together, the "**SPV Debtors**") also commenced Chapter 11 cases, which are jointly administered with the Chapter 11 Proceedings.

relief under Chapter 11 of the *U.S. Bankruptcy Code* (the "**Chapter 11 Cases**") before the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**"). On April 17, 2009, ABH and certain of its subsidiaries[5] (collectively with ABH, the "**18.6 Petitioners**") obtained orders under s. 18.6 of the CCAA in respect of the Chapter 11 Proceedings.

5. On or about May 24, 2010, further to extensive review of the available alternatives and lengthy negotiations or consultations with various creditor groups, regulators and other stakeholders:

   (i) the Petitioners filed prior draft versions of the *Plan of Reorganization and Compromise* (as amended, the "**CCAA Plan**") as well as an information circular (the "**Information Circular**"); and

   (ii) the U.S. Debtors filed with the U.S. Bankruptcy Court a *First Amended Joint Plan of Reorganization* (as amended the "**U.S. Plan**" and together with the CCAA Plan, the "**Plans**") and accompanying Disclosure Statement (the "**Disclosure Statement**"), both related to the joint reorganization of the U.S. Debtors under the *U.S. Bankruptcy Code.*

6. A copy of the CCAA Plan, including the First CCAA Plan Amendment and CCAA Plan Supplements, is posted on the Monitor's website. Unless otherwise indicated, all capitalized terms herein shall have the meaning attributed to them in the Initial Order and in the CCAA Plan.

II. ORDERS SOUGHT

7. In this Motion, the term "**Applicants**" shall be understood to include all Abitibi Petitioners and Bowater Petitioners (together, the "**Petitioners**"), <u>save and except</u> for Bowater Canada Finance Corporation ("**BCFC**").

8. The Applicants hereby seek the following orders (the "**Sanction Order**"):

   (a) an order sanctioning the CCAA Plan;

   (b) a number of orders typically requested in similar sanction orders;

   (c) an order approving certain elements of the Reorganized Debtors' Exit Financing (as defined below); and

   (d) an order extending the Stay of Proceedings until the Implementation Date;

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[5] These subsidiaries are 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.

the whole as set forth in the draft Sanction Order communicated herewith as **Exhibit R-1**.

III. BACKGROUND

9. Since the beginning of these CCAA proceedings, the Petitioners have been working together with the U.S. Debtors and with the assistance of the Monitor, their financial advisors and legal counsel to restructure and streamline their operations and develop a business plan that will enable their business to compete in the North American forest products industry.

10. On September 7, 2010, the Monitor filed its Fifty-Seventh Report (the "**Monitor's 57th Report**") which summarizes, *inter alia*, the Petitioners' business plan (paras. 29 and ff. of the Monitor's 57th Report) as well as the most significant restructuring efforts successfully completed by the Petitioners to date (para. 36 of the Monitor's 57th Report). The Monitor's 57th Report contains a detailed review of these restructuring efforts which include, *inter alia*, the closures of certain facilities, sales of assets, contract repudiations, re-negotiations of collective bargaining agreements and several other cost saving initiatives.

11. On August 26, 2009, January 18, February 23, 2010 and July 21, 2010, this Court issued orders pertaining to the procedures for the filing and determination of claims against the Petitioners (the "**Claims Process**"). As part of its January 18, 2010 order, this Court approved a cross-border claims protocol (the "**Cross-Border Claims Protocol**"), which was also approved by the U.S. Bankruptcy Court. The Cross-Border Claims Protocol supplemented the procedures established by this Court and the U.S. Court in their respective claims determination orders and implemented mechanisms for reviewing and reconciling claims filed in either or both the Chapter 11 and CCAA Proceedings against the Cross-Border Debtors, entities which are subject to both the U.S. Bankruptcy Code and the CCAA.

12. As reported in the Monitor's 57th Report (paras. 82 and ff.), the Claims Process resulted in 8,263 claims being filed with the Monitor. It is submitted that significant progress has been achieved to date in the process of reconciling and determining these claims.

13. On June 23, 2010, this Court issued an order authorizing the Petitioners to enter into a Backstop Commitment Agreement which was also approved by the U.S. Court and which provides Eligible Holders with the right to subscribe for up to, subject to certain provisions applicable to U.S. Debtors, $500 million in the aggregate of unsecured subordinated notes through a rights offering (the "**Rights Offering**"). The Rights Offering is one of the components of the Petitioners' Exit Financing (as defined and described in greater detail below).

14. Significant progress has also been made towards satisfying certain key conditions to the implementation of the CCAA Plan, including ongoing discussions with governments and pension regulators in the Provinces of Quebec and Ontario concerning the adoption of special funding relief regulations in these jurisdictions,

as well as negotiations with potential investors in connection with the exit financing required by the Applicants to emerge with a sufficient level of liquidity after funding the cash distributions and other payments required under the Plans, the whole as described in the Monitor's 57th Report (paras. 72 and ff.).

IV. OVERVIEW OF THE CCAA PLAN

15. The purpose of the CCAA Plan is to provide for a coordinated restructuring and compromise of the Applicants' debt obligations and to reorganize and simplify the Applicants' corporate and capital structure.

16. The CCAA Plan and the U.S. Plan are coordinated and similar, with the exception of differences necessary to comply with certain jurisdictional requirements. Each Plan requires, as one of its conditions precedent to implementation, that all conditions precedent to the implementation of the other plan be satisfied or waived.

17. In essence, the Plans provide for the payment in full, on the Implementation Date and consummation of the U.S. Plan, of all of the Applicants' and U.S. Debtors' secured debt obligations. As for the latter's unsecured debt obligations (save for a few exceptions) the Plans contemplate their conversion to equity (the "**New ABH Common Stock**") of the post-emergence reorganized ABH ("**Reorganized ABH**").

18. The basic structure of the CCAA Plan, including the possibility of certain unsecured creditors receiving a cash distribution of 50% of the face amount of their proven claim if their claim is less than $6,073 ($US5,000) (or if they opted to reduce their claim to that amount), is described in the Monitor's 57th Report (paras. 50 and ff.). Also described therein is the manner in which the Applicants propose to address, in the CCAA Plan, certain creditor claims, that, if filed in the U.S., would have a priority status but which are not recognized as priority claims under the CCAA.

19. The Petitioners' financial advisors have developed an estimate of the total going concern value of ABH (the "**Enterprise Value**"). The estimate of the value of the New ABH Common Stock of Reorganized ABH and the allocation of the New ABH Common Stock between the Petitioners and the U.S. Debtors are both derived from the Enterprise Value and from the Enterprise Value of individual subsidiaries of ABH, the whole as outlined in greater detail the Monitor's 57th Report (paras. 43 and ff.). The resultant number of shares and percentages of New ABH Common Stock allocated to individual Applicants under the CCAA Plan are detailed in Schedules C and D of the CCAA Plan.

20. The CCAA Plan includes releases at section 6.10 and a list of parties benefitting from said releases is included in the Monitor's 57th Report (paras. 77 and 78). In order to satisfy the condition precedent to the implementation of the CCAA Plan set forth in section 8.5(b)(viii) of the CCAA Plan, the proposed draft Sanction Order contains orders specifically approving these releases.

21. Finally, the CCAA Plan provides for certain management incentive plans which are also described in the Monitor's 57th Report (para. 79).

V. PLAN APPROVAL PROCESS

(a) Solicitation Process

22. On July 9, 2010 this Court issued an order (as amended on July 21, 2010, the "**Creditors' Meeting Order**") in which it approved, *inter alia*:

    (a) the filing of the CCAA Plan and the Petitioners' Information Circular;

    (b) the classification of Affected Unsecured Creditors;

    (c) the applicable solicitation and voting procedures; and

    (d) the applicable procedure and timetable with respect to the sanction of the CCAA Plan.

23. The Creditors' Meeting Order authorized the Petitioners to convene, hold and conduct separate meetings of their creditors (collectively, the "**Creditors' Meeting**") on September 14, 2010, in Montréal, Québec, to consider and, if thought advisable, approve the CCAA Plan, the whole as appears from the Court record. The Creditors' Meeting Order also provided for a hearing (the "**Sanction Hearing**") to take place on September 20, 2010 to allow the Court to consider and, if appropriate, grant an order sanctioning the CCAA Plan.

24. In addition, in the Creditors' Meeting Order, this Court approved a protocol (the "**Cross-Border Voting Protocol**") which seeks to ensure compliance with the plan confirmation procedures under the CCAA Proceedings and the Chapter 11 Cases and to minimize the potential for any confusion of creditors of the Cross-Border Debtors in connection with the solicitation process. The Cross-Border Voting Protocol provides, in essence, that a Cross-Border Voting Creditors' vote to accept or reject the U.S. Plan shall be deemed a vote to accept or reject the CCAA Plan, and conversely, that a vote to accept or reject the CCAA Plan shall be deemed a vote to accept or reject the U.S. Plan.

25. Pursuant to the CCAA Plan, the Affected Unsecured Creditors are, for the purpose of voting on and receiving distributions, grouped into 20 classes (Section 2.2 of the CCAA Plan). Each of these classes is the class of general unsecured creditors of each one of the Petitioners listed below (it being be noted that the remaining Petitioners and Partnerships have nominal assets or do not have claims under the CCAA Plan):

    (i) ACI
    (ii) ACCC
    (iii) BCFPI
    (iv) Saguenay Forest Products Inc.
    (v) Bowater Canada Finance Corporation

(vi) 3224112 Nova Scotia Limited
(vii) Marketing Donohue Inc.
(viii) 3834328 Canada Inc.
(ix) 6169678 Canada Inc.
(x) 1508756 Ontario Inc.
(xi) The Jonquière Pulp company
(xii) The International Bridge and Terminal Company
(xiii) Abitibi-Consolidated (U.K.) Inc.
(xiv) Scramble Mining Ltd.
(xv) Terra Nova Explorations Ltd.
(xvi) AbitibiBowater Canada Inc.
(xvii) Bowater Maritimes Inc.
(xviii) Abitibi-Consolidated Nova Scotia Incorporated
(xix) Abitibi-Consolidated Canadian Office Products Holdings Inc.
(xx) Donohue Recycling Inc.

26. Secured creditors and creditors with Excluded Claims are not entitled to receive any distribution under the CCAA Plan and were therefore not entitled to vote at the Creditors' Meeting. As indicated above, these creditors will generally be repaid in full on, or soon as practicable after, the Implementation Date.

27. On or about August 9, 2010, the Information Circular was sent to each Affected Unsecured Creditor. In addition to the CCAA Plan itself, it contained, *inter alia*, the following:

(a) a detailed description of the process surrounding the holding of, and voting at, the Creditors' Meeting (at pages 46 to 55);

(b) information about ABH, the Applicants and the business (at pages 55 to 63);

(c) a description of ABH and the Applicants' capitalization (at pages 63 to 66);

(d) a summary of the CCAA Plan (at pages 66 to 107);

(e) a description of the Exit Loan Facilities (at page 107);

(f) a description of the Rights Offering (at pages 107 to 113);

(g) a description of Reorganized ABH (at pages 113 to 116);

(h) disclosure of certain risk factors (at pages 116 to 142);

(i) a description of certain income tax considerations (at pages 142 to 162);

(j) a description of other considerations related to the implementation of the CCAA Plan (at pages 162 to 165); and

(k) the favourable recommendation of the Monitor (at pages 165 to 167) and of the CCAA Plan Applicants (at pages 168-169).

(b) Amendments to the Plan and Plan Supplements

28. On September 2, 2010, the following CCAA Plan Supplements were communicated to the parties on the Service List and posted on the Monitor's website: (i) BCFPI Secured Bank Letters of Credit; (ii) Restructuring Transaction Notice; (iii) ABL Exit Financing Facility and the Term Loan Exit Financing Facility; (iv) Reorganized ABH Director Biographies; (v) Reorganized ABH Executive Officers Biographies; (vi) Third Amended and Restated By-Laws of ABH; and the (vii) Third Amended and Restated Certificate of Incorporation of ABH.

29. On September 3, 2010, the following CCAA Plan supplements were communicated to the parties on the Service List and posted on the Monitor's website: (i) Reorganized ABH 2010 Equity Incentive Plan; (ii) 2010 Short-Term Incentive Plan; (iii) Executive Severance Policies; (iv) Continued Employee Compensation and Benefit Program; and the (v) New Employee Compensation and Benefit Programs.

30. On September 10, 2010, a *First CCAA Plan Amendment* was communicated to the parties on the Service List and posted on the Monitor's website. The sections of the CCAA Plan concerned by this proposed amendment are the definition of "Intercompany Claims", subsections 6.10(b),(c) and (d) as well as 7.9 of the CCAA Plan.

31. On September 13, 2010, an Amended CCAA Plan Supplement 6. 8(b) (Short-Term Equity Incentive Plans) and an Amended CCAA Plan Supplement 6.1(a)(i) (Restructuring Transactions Notice) were sent to the Service List and posted on the Monitor's website.

(c) Creditors' Meeting

32. On September 14, 2010, the Creditors' Meeting was convened, held and conducted in Montréal, Quebec, in accordance with the Creditors' Meeting Order.

33. The resolution approving the CCAA Plan (attached as Appendix B to the Information Circular) was overwhelmingly approved by the Affected Unsecured Creditors of the Petitioners, save in except for the creditors which are in the BCFC Affected Unsecured Creditor Class.

34. As a result of the BCFC Affected Unsecured Creditors Class not approving the CCAA Plan, the BCFC Affected Unsecured Creditors will be treated as Unaffected Creditors under the CCAA Plan and shall not receive any distributions contemplated under the CCAA Plan.

35. It is expected that prior to the hearing on this Motion, the Monitor will be filing the Monitor's Fifty-Eighth Report (the "**Monitor's 58th Report**") which will summarize

the results of the vote and contain the Monitor's recommendation regarding the sanctioning of the CCAA Plan.

VI. GROUNDS FOR PLAN APPROVAL

36. The Applicants respectfully submit that the CCAA Plan should be sanctioned by this Court. It is submitted that:

    (a) the Applicants are and have been in strict compliance with all statutory requirements;

    (b) all material filed and procedures carried out by the Applicants were authorized by the CCAA; and

    (c) the CCAA Plan is fair and reasonable.

37. Since the issuance of the Initial Order, the Applicants have acted, and continue to act, in good faith and with due diligence in their restructuring efforts. As such, the Applicants have complied with all statutory requirements and strictly adhered to orders of this Court.

38. Throughout these proceedings, the Monitor has filed reports to the Court on a regular basis concerning these proceedings and the restructuring efforts of the Applicants. The latter have cooperated with the Monitor, when needed, in order to provide the Monitor with access to the information and internal resources required to carry out its duties, including the performance of the numerous restructuring activities outlined in the Monitor's 57th Report.

39. Since the issuance of the Initial Order, the Applicants have also worked cooperatively with their main creditor groups and their committees, as well as with employees, unions, retirees, governments and their agencies. The Plans are the result of negotiated arrangements and settlements amongst the Applicants, the U.S. Debtors and their main stakeholder groups, including the Ad Hoc Committee of Unsecured Noteholders in the CCAA Proceedings and the U.S. Unsecured Creditors' Committee in the Chapter 11 Proceedings.

40. Nothing has been done and no step taken that was not authorized by the CCAA or the orders of this Court.

41. The Applicants respectfully submit that the CCAA Plan is fair and reasonable, a fact reflected by fact that the majorities of all the Affected Unsecured Creditor Classes of the Applicants voted to accept the CCAA Plan.

42. If the Plans are implemented, it is estimated that the net value will translate into a recovery under the CCAA Plan corresponding to 100% for secured creditors and the following approximate rates for the Affected Unsecured Creditor Classes:

    (a) 3.4% for the ACI Affected Unsecured Creditor Class;

(b) 17.1% for the ACCC Affected Unsecured Creditor Class;

(c) 4.2% for the Saguenay Forest Products Affected Unsecured Creditor Class;

(d) 36.5% for the BCFPI Affected Unsecured Creditor Class;

(e) 20.8% for the Bowater Maritimes Affected Unsecured Creditor Class; and

(f) 43% for the ACNSI Affected Unsecured Creditor Class;

the whole as more fully detailed in the "Recommendation of the Monitor" section of the Information Circular.

43. With respect to the remaining Applicants, the illustrative recoveries under the CCAA Plan are nil, as these entities have nominal assets. Most of these entities are included in the entities comprising the 15.5% Guarantor Applicants. As such, they have only one creditor group, the 15.5% Senior Unsecured Notes Claims, which is receiving distributions from multiple Applicants.

44. The Information Circular contains a liquidation analysis to which is appended a table showing the estimated recovery by creditor class in the event of liquidation (as Appendix F), and financial projections assuming implementation of the CCAA Plan and U.S. Plan (as Appendix G).

45. In the event that the CCAA Plan is not sanctioned and implemented, the Applicants are of the view that a liquidation of ABH and its U.S. and Canadian subsidiaries is the most likely scenario to ensue.

46. As appears from the liquidation analysis and financial projections upon reorganization contained in the Information Circular (Appendix F and G), and as discussed in the Monitor's 57th Report (paras. 88 to 94), the implementation of the CCAA Plan would result in a substantially higher recovery to Affected Unsecured Creditors than a liquidation.

47. In the Monitor's 57th Report, the Monitor recommended that the Affected Unsecured Creditors vote for the resolution to approve the CCAA Plan in respect of each class of Affected Unsecured Creditors to which they belong. It is expected that in the Monitor's 58th Report, the Monitor will recommend that this Court sanction the CCAA Plan.

48. The Applicants respectfully request this Court to issue an order substantially in the form of the draft Sanction Order communicated as Exhibit R-1 to this Motion. The effectiveness and implementation of the CCAA Plan is conditioned upon the effectiveness and occurrence of all conditions precedent to the implementation of the U.S. Plan, the same way that the U.S. Plan is conditioned upon the effectiveness and occurrence of all conditions precedent to the implementation of the CCAA Plan. One of these conditions precedent is this Court's issuance of a Sanction Order

containing, *inter alia*, the items which are listed at subsection 8.5(b) of the CCAA Plan and which are reflected in the draft Sanction Order.

VII. EXIT FINANCING AND STAY EXTENSION

49. The CCAA Plan provides that the Applicants may secure exit loan facilities ("**Exit Financing**") in the aggregate amount of up to a) US$2.3 billion, less (b) cash on hand and proceeds from the Rights Offering in order to make all cash distributions required under the CCAA Plan and to provide, upon implementation of the CCAA Plan, ongoing financing to the Reorganized Debtors.

50. The Applicants have negotiated and are in the process of implementing and/or raising the following financings:

    (a) a senior secured asset-based revolving facility in the aggregate amount of approximately US$600 million (the "**ABL Facility**") to be entered into by the Reorganized Debtors and the lender(s) thereunder, as contemplated in the Plan Supplement 6.1(a)(ii) dated September 1, 2010;

    (b) a combination of (a) senior secured notes in the aggregate amount of US$750,000,000 (the "**Senior Notes**"), as contemplated in a Description of Notes extracted from a draft *Preliminary Offering Memorandum* dated September 14, 2010 (the "**Description of Notes**") communicated herewith as **Exhibit R-2** and (b) the aggregate amount of approximately US$500 million arising from the Rights Offering; and

    (c) the aggregate amount of CDN$130 million from the NAFTA Settlement Agreement.

51. This Court's authorization and empowerment are sought in connection with the following:

    (a) the borrowing of funds or receipt of proceeds of the ABL Facility and Senior Notes (together, the "**Exit Facilities**");

    (b) the granting of hypothecs and Financial Charges (as defined in the Sanction Order) in connection with the Exit Facilities;

    (c) the execution and delivery of credit agreements, instruments of indebtedness, guarantees, security documents, deeds, and other documents required to effectuate such Exit Facilities (collectively the "**Exit Loan and Security Documents**"), as may be required in connection with the Exit Facilities; and

    (d) the performance all obligations under and in connection with the Exit Loan and Security Documents.

52. In addition, the Sanction Order seeks this Court's approval and ratification of the terms and conditions of the Exit Facilities as set forth in the Plan Supplement 6.1(a)(ii) dated September 1, 2010, and in the Description of Notes, Exhibit R-2, the terms of which may be amended, supplemented or otherwise modified from time to time by the parties thereto.

53. The approval of the Exit Facilities by this Court will allow the Petitioners to secure the Exit Financing necessary to make the cash distributions to their creditors as provided for in the Plans.

54. In addition, neither the ABL Facility nor the Senior Notes could, individually, provide the Reorganized Debtors with sufficient liquidity to maintain operations in the ordinary course. The Reorganized Debtors' ability to maintain business relationships with their vendors, suppliers and customers, to pay their employees, to purchase and supply new inventory and otherwise finance their operations, will be essential to the Reorganized Debtors' continued viability and is largely dependent on the approval of the Exit Facilities, such Exit Facilities being critical to the success and implementation of the CCAA Plan.

55. For the reasons set forth above, the Applicants believe it is both appropriate and necessary that the authorizations and empowerment being sought be granted. With such authorizations and empowerment, the Reorganized Debtors will be able to restructure their business and affairs to maximize long term value for the benefit of all stakeholders.

56. The Petitioners respectfully request an extension of the Stay Period (which currently expires on September 30, 2010) until the Implementation Date. The extension of the Stay Period is necessary to protect the Petitioners and the Partnerships while they reorganize their affairs and prepare for the implementation of the CCAA Plan. For these very same reasons, the Petitioners also request that provisional execution of this order be granted notwithstanding any appeal.

CONCLUSION

57. Upon emergence from their restructuring, the Applicants believe that they will be in a position to build a more successful and productive business which will remain one of the leaders in the forest products industry.

58. It is in the best interest of the Applicants and all of their stakeholders that the present Motion be granted in accordance with its conclusions.

59. The Petitioners respectfully submit that the notices given of the presentation of the present Motion are proper and sufficient and in accordance with the Creditors' Meeting Order.

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

WHEREFORE, MAY THIS COURT:

[1] **GRANT** this *Motion for an Order Sanctioning the Petitioners' Plan of Reorganization and Compromise and Other Relief* (the **"Motion"**).

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

[3] **ISSUE** orders substantially in the form of the draft Sanction Order communicated as Exhibit R-1 in support of the Motion.

Stikeman Elliott

STIKEMAN ELLIOTT, LLP
Attorneys for Petitioners

AFFIDAVIT

I, the undersigned, Bruce Robertson, having my principal place of business at 39, Wynford 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 *Motion for an Order Sanctioning the Petitioners' Plan of Reorganization and Compromise and Other Relief* are true.

AND I HAVE SIGNED

BRUCE ROBERTSON

Solemnly declared before me in Montreal, on the 16th day of September, 2010

Commissioner for oaths

COMMISSAIRE À L'ASSERMENTATION
Solange Edery
129,215
TOUS LES DISTRICTS JUDICIAIRES DU QUÉBEC

NOTICE OF PRESENTATION

TO : SERVICE LIST

TAKE NOTICE that the *Motion for an Order Sanctioning the Petitioners' Plan of Reorganization and Compromise and Other Relief* will be presented for adjudication before Justice C. Gascon or one of the Honourable Judges of the Superior Court, sitting in practice in and for the District of Montréal, on **September 20, 2010**, at **9:15 a.m.**, at the Montreal Courthouse in a Room to be communicated to the Service List.

DO GOVERN YOURSELVES ACCORDINGLY.

Montréal, September 15, 2010

Stikeman Elliott

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:

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- and -
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BS0350 **n/dos.:** 041053-1170

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ORIGINAL

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