CANADA

PROVINCE OF QUÉBEC
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/Respondents

and

ERNST & YOUNG INC.,

Monitor/Petitioner

MOTION OF THE MONITOR FOR AN ORDER AUTHORIZING AND DIRECTING THE MONITOR TO SELL SHARES OF NEW ABH COMMON STOCK ISSUED TO CERTAIN GOVERNMENT ENTITIES

TO THE HONOURABLE JUSTICE CLÉMENT GASCON J.S.C. OR ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, THE MONITOR RESPECTFULLY SUBMITS 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**" and the "**CCAA Proceedings**") in

respect of (i) Abitibi-Consolidated Inc. ("**ACI**") and subsidiaries thereof (the "**Abitibi Petitioners**")[1]; (ii) Bowater Canadian Holdings Inc. and subsidiaries and affiliates thereof (the "**Bowater Petitioners**"[2], collectively with the Abitibi Petitioners, the "**Petitioners**") and (iii) certain partnerships (the "**Partnerships**").[3]

2. Pursuant to the Initial Order, Ernst & Young Inc. (the "**Monitor**") was appointed as Monitor of the Petitioners and Partnerships under the CCAA.

3. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. and certain of their U.S. and Canadian subsidiaries (the "**U.S. Debtors**") 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**"). On April 17, 2009, ABH and certain of its subsidiaries (collectively with ABH, the "**18.6 Petitioners**")[4] obtained orders under s. 18.6 of the CCAA in respect of the Chapter 11 Proceedings.

4. In the context of the restructuring of the Petitioners' business, Bowater Canadian Forest Products Inc. and five other Bowater Petitioners filed for court protection in both the CCAA Proceedings and the Chapter 11 Proceedings (the "**Cross-Border Petitioners**").[5]

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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 Petitioner 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.

5 The Cross-Border Petitioners are Bowater Canadian Holdings Inc., Bowater Canada Finance Corporation, Bowater Canadian Limited, AbitibiBowater Canada Inc., BCFPI, Bowater LaHave Corporation and Bowater Maritimes Inc.

B. BACKGROUND

5. On September 14, 2010, the creditors who hold affected unsecured claims against the Petitioners (other than Bowater Canada Finance Corporation) (the "**Affected Unsecured Creditors**") voted in favour of a resolution approving the Petitioners' plan of compromise and arrangement (as may be amended, re-amended or supplemented from time to time) (the "**CCAA Plan**").

6. On September 23, 2010, this Honourable Court issued an order sanctioning the CCAA Plan. A copy of the CCAA Plan was filed in the Court record as Appendices E and F to the Supplemental Fifty-Ninth Report of the Monitor dated September 21, 2010.

7. The CCAA Plan provides that certain of the Affected Unsecured Creditors are to receive, *inter alia,* their *pro rata* share of new common stock of the post-emergence reorganized ABH ("**New ABH Common Stock**") in full and final satisfaction of their proven claim(s).

8. The Monitor has been advised by certain Affected Unsecured Creditors which are entitled to a distribution in the form of shares of New ABH Common Stock that, as governmental or government-owned entities, they are prohibited by statute or otherwise from holding shares in an unrelated public entity (the "**Government Entities**").

9. The Monitor, in its capacity as Disbursing Agent under the CCAA Plan, has agreed, subject to Court approval, to accept a direction from such Government Entities to sell the shares of New ABH Common Stock issued to the Government Entities (the "**Shares**") on behalf of the Government Entities and to pay the proceeds therefrom to each respective Government Entity.

C. ORDERS SOUGHT

10. The Monitor respectfully seeks the following orders from this Court:

    (i) an order approving the form of direction (the "**Direction**") attached as Appendix "F" to the Sixty-Fourth Report of the Monitor dated October 7, 2010 (the "**Sixty-Fourth Report**");

    (ii) an order authorizing and directing the Monitor, in its capacity as the Disbursing Agent under the CCAA Plan, to sell the Shares issued to the Government Entities in accordance with the Direction;

    (iii) an order authorizing and directing the Monitor, as Disbursing Agent, to, pursuant to each Direction delivered to the Monitor, sell the Shares in any public stock exchange in which the Shares are listed for trading at the sale price in effect at the moment of such trade and deliver the proceeds from the sale to each respective Government Entity as expeditiously as possible;

(iv) an order declaring that the Monitor, as Disbursing Agent, is not responsible for any taxes or fees arising from or in relation to the issuance or sale of the Shares and that the Monitor is under no obligation to obtain any particular or any minimum sale price for the Shares; and

(v) an order declaring that the Monitor, as Disbursing Agent, is released and discharged from any and all liability that the Monitor may have or that could arise from the sale of the Shares and the proceeds received therefrom, with the exception of any liability arising from bad faith or gross negligence on the part of the Monitor.

D. GROUNDS FOR THIS MOTION

11. Pursuant to the terms of the CCAA Plan, the Government Entities, as Affected Unsecured Creditors with Claims against certain of the Petitioners, are entitled to a distribution in the form of New ABH Common Stock. However, the Government Entities may be prohibited by statute or otherwise from owning shares in unrelated public companies.

12. As a result, the Government Entities may be unable to receive legally their respective distributions of shares of New ABH Common Stock as provided for under the CCAA Plan.

13. As described in the Sixty-Fourth Report, in order to ensure the Government Entities are treated fairly, the Monitor proposes to sell the Shares on behalf of the Government Entities and to pay the proceeds to each respective Government Entity in accordance with the Direction as expeditiously as is practical.

14. The sale of the Shares will only occur if the relevant Government Entity delivers a Direction, substantially in the form attached to the Sixty-Fourth Report, to the Monitor prior to the initial distribution date described in the CCAA Plan.

15. The Monitor expects that the sale of the Shares will occur on the date of issuance of the New ABH Common Stock or as soon thereafter as is practicable.

16. The sale of the Shares will occur in any public stock exchange in which the Shares are listed for trading at the sale price in effect at the moment of such

sale.

17. Any taxes or fees arising from or in relation to the issuance or sale of the Shares are to be paid directly by each Government Entity and the form of Direction confirms that the Monitor is under no obligation to receive any particular or any minimum sale price for the Shares.

18. The form of Direction also releases and discharges the Monitor from any and all liability that the Monitor may have or that could arise from the sale of the Shares and the proceeds received therefrom.

19. The Monitor is of the view that the sale by the Monitor of the Shares does not materially prejudice the other Affected Unsecured Creditors and will ensure that the Government Entities are treated appropriately under the CCAA Plan.

E. CONCLUSION

20. The Monitor respectfully submits that this Motion should be granted in accordance with its conclusions.

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

WHEREFORE, MAY THIS COURT:

[1] **GRANT** this Motion of the Monitor for an Order Authorizing and Directing the Monitor to Sell Shares of New ABH Common Stock Issued to Certain Government Entities (the "**Motion**");

[2] **APPROVE** the form of Direction attached as Appendix "F" to the Sixty-Fourth Report of the Monitor dated October 7, 2010;

[3] **AUTHORIZE AND DIRECT** the Monitor, in its capacity as the Disbursing Agent under the CCAA Plan, to sell the Shares issued to the Government Entities in accordance with the Direction, provided that such direction is delivered to the Monitor prior to the initial distribution date described in the CCAA Plan;

[4] **AUTHORIZE AND DIRECT** the Monitor, as Disbursing Agent, to, pursuant to each Direction delivered to the Monitor, sell the Shares in any public stock exchange in which the Shares are listed for trading at the sale price in effect at the moment of such trade and deliver the proceeds from the sale to each respective Government Entity as expeditiously as possible;

[5] **DECLARE** that the Monitor is not responsible for any taxes or fees arising from or in relation to the issuance or sale of the Shares and that the

Monitor is under no obligation to obtain any particular or any minimum sale price for the Shares; and

[6] **DECLARE** that the Monitor is released and discharged from any and all liability that the Monitor may have or that could arise from the sale of the Shares and the proceeds received therefrom, with the exception of any liability arising from any bad faith or gross negligence on the part of the Monitor.

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

Montréal, October 7, 2010

Thornton Grout Finnigan.

THORNTON GROUT FINNIGAN LLP
Attorneys for the Monitor

Fishman Flanz Meland Paquin

FISHMAN FLANZ MELAND PAQUIN LLP
Attorneys for the Monitor

AFFIDAVIT

I, the undersigned, **Alex Morrison**, having my principal place of business at 222 Bay Street, 16th Floor, Ernst & Young Tower, Toronto, ON M5K 1J7, solemnly declare the following:

1. I am a Senior Vice President at Ernst & Yong Inc., the court appointed Monitor in these proceedings.

2. All the facts alleged in the *Motion for an Order Authorizing and Directing the Monitor to Sell the Shares of New ABH Common Stock Issued to Certain Government Entities* are true.

AND I HAVE SIGNED

ALEX MORRISON

Solemnly declared before me at Toronto, on the 7th day of October, 2010

Commissioner for oaths

NOTICE OF PRESENTATION

TO : SERVICE LIST

TAKE NOTICE that the *Motion for an Order authorizing and directing the Monitor to sell shares of New ABH Common Stock issued to certain Government Entities* will be presented for adjudication before the Honourable Judge Clément Gascon of the Superior Court, sitting in practice in and for the District of Montréal, in the **Montréal Court House, 1 Notre-Dame Street East**, on October 15, 2010 at 9:00 a.m., in a room to be announced to the Service List.

DO GOVERN YOURSELVES ACCORDINGLY.

Montréal, October 7, 2010

Thornton Grout Finnigan

THORNTON GROUT FINNIGAN LLP
Attorneys for the Monitor

Fishman Flanz Meland Paquin.

FISHMAN FLANZ MELAND PAQUIN LLP
Attorneys for the Monitor