

SUPERIOR COURT

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

No: 500-11-036133-094

DATE: September 16, 2010

PRESENT: THE HONOURABLE DANIÈLE MAYRAND, J.S.C.

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 on Schedules "A", "B" and "C"

Petitioners

And

ERNST & YOUNG INC.

Monitor

And

AURELIUS CAPITAL MANAGEMENT, LP

and

CONTRARIAN CAPITAL MANAGEMENT, L.L.C.

Respondents

TRANSCRIPT OF REASONS GIVEN ORALLY ON SEPTEMBER 16, 2010
(Request to adjourn Motion to seek Advice and Directions (#707))

[1] Abitibi-Consolidated Petitioners and other Petitioners, as defined in the Motion, which excludes Bowater Canada Finance Corporation ("**BCFC**"), present a *Motion for Advice and Directions* (the "**Motion**") with respect to alleged Intercompany Claims of BCFC, raised by Aurelius Capital Management, LP ("**Aurelius**") and Contrarian Capital Management, L.L.C. and the Trustee of the Noteholders, (collectively "**Aurelius**").

[2] Aurelius submits that the hearing of the Motion should be adjourned and that it should never take place because of several Orders that were rendered in the US Bankruptcy Court on September 14, 2010.

[3] Justice Carey rendered those Orders while he was sitting in the U.S. Bankruptcy Court hearing the Petitioners' Motion to authorize Bowater Inc. to seek advice and directions before the Canadian Court regarding the nature and validity under Canadian law of a Contribution claim of US\$600 million BCFC may have against its parent corporation BI under s.77 of the Bankruptcy and Insolvency Act and s.135 of the Companies Act (Nova Scotia).

[4] The Motion is presented on the eve of the Sanction hearing that will take place before Gascon, J., on September 20, 2010 and was referred by him to the undersigned on September 10, 2010.

[5] This hearing was set on September 16, 2010 in view of the urgency arising from recent events. Among them figured the filing of a contribution claim of US\$600 million against Bowater Inc. ("**BI**") in the US Courts on September 1, 2010 on behalf of BCFC by the Independent Advisor ("**IA**") appointed by the U.S. Court at the request of Petitioners. However, although IA had completed and presented to BCFC's Board of Directors a report and detailed presentation of the alleged Intercompany transactions, no such claim related to these transactions by BCFC or Aurelius has been filed.

[6] Aurelius was in possession of the report since September 11, 2010, to the exclusion of Petitioners. Finally the Sanction hearing of the CCAA Plan is fixed for September 20, 2010 and provides for the compromise of all Intercompany Claims.

[7] The main argument presented by Aurelius for the adjournment of the hearing of the Motion relies mostly on the postponement to September 24, 2010 of several issues that were handled by Justice Carey on the hearing of September 14, 2010.

[8] Justice Carey decided to continue the hearing of BI's Motion to authorize this Canadian Court to determine the Contribution claim issue on September 24, 2010. Consequently, the Contribution claim is no longer an issue under the Motion until it has been decided otherwise by the U.S. Court.

[9] As previously mentioned, BCFC's independent lawyer, Mr. Togut, made a verbal request during that hearing to authorize the release in the Canadian Court of the report prepared by the IA, following Orders rendered in the U.S. Court on June 25 and

July 7, 2010. The U.S. Court decided to postpone this request until September 24, 2010.

[10] As appear from the transcripts of September 14, 2010 hearing, Justice Carey withheld the release of the report because of the objections raised by Aurelius and the Trustee acting for the Noteholders.

[11] According to Aurelius, to proceed with this hearing on the Motion constitutes an interference with the process that is taking place before the U.S. Bankruptcy Courts. Aurelius argues that the IA's report was then not final and that the Canadian Court should not get involved before Justice Carey deals with those issues on September 24, 2010.

[12] Accordingly, they argue the Canadian Court does not have all the elements to determine the issues raised by the Motion.

[13] With great respect, the Court disagrees.

[14] The IA's report, which Aurelius has had the benefit of examining, to the exclusion of BI's and Petitioners attorney, was duly completed on September 14, 2010, as appears from the transcript of September 14, 2010 hearing before Justice Carey.

[15] Although the IA's report was sent as a draft to Aurelius, it also appears that the conclusions reached by the IA were not to be changed.

[16] The delays caused for the release of the IA's report result solely from the objections raised by Aurelius.

[17] Moreover, BCFC's IA's attorney was present when Gascon J. fixed the Motion for September 16, 2010, before the undersigned.

[18] Thus, they were quite aware of the present hearing and they chose not to attend nor to contest or request an adjournment of the hearing or to argue the merits of the conclusions that are sought by the Motion.

[19] The affidavit of Mr. Vachon explains, most likely, why BCFC's IA's or its independent attorneys decided not to attend the present hearing.

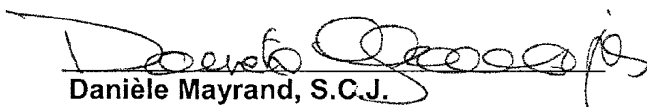
[20] Finally, the fact that an Order to show cause for bankruptcy of BCFC was issued by Justice Carey and that the hearing is scheduled for September 24, 2010, should not and could not preclude the CCAA process in the Canadian Court from moving along, especially when one considers that BCFC is a Canadian Corporation governed by the law of Nova Scotia.

[21] Fairness and certainty require that this Court proceed with the Motion at this time.

THEREFORE, FOR THESE REASONS, THE COURT:

[22] **DENIES** the request for an adjournment;

[23] **Costs to follow.**



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Date of hearing: September 16, 2010
Reasons transcribed and revised on September 23, 2010.

SCHEDULE "A"
ABITIBI PETITIONERS

1. ABITIBI-CONSOLIDATED INC.
2. ABITIBI-CONSOLIDATED COMPANY OF CANADA
3. 3224112 NOVA SCOTIA LIMITED
4. MARKETING DONOHUE INC.
5. ABITIBI-CONSOLIDATED CANADIAN OFFICE PRODUCTS HOLDINGS INC.
6. 3834328 CANADA INC.
7. 6169678 CANADA INC.
8. 4042140 CANADA INC.
9. DONOHUE RECYCLING INC.
10. 1508756 ONTARIO INC.
11. 3217925 NOVA SCOTIA COMPANY
12. LA TUQUE FOREST PRODUCTS INC.
13. ABITIBI-CONSOLIDATED NOVA SCOTIA INCORPORATED
14. SAGUENAY FOREST PRODUCTS INC.
15. TERRA NOVA EXPLORATIONS LTD.
16. THE JONQUIERE PULP COMPANY
17. THE INTERNATIONAL BRIDGE AND TERMINAL COMPANY
18. SCRAMBLE MINING LTD.
19. 9150-3383 QUÉBEC INC.
20. ABITIBI-CONSOLIDATED (U.K.) INC.

SCHEDULE "B"
BOWATER PETITIONERS

1. BOWATER CANADIAN HOLDINGS INC.
2. BOWATER CANADA FINANCE CORPORATION
3. BOWATER CANADIAN LIMITED
4. 3231378 NOVA SCOTIA COMPANY
5. ABITIBIBOWATER CANADA INC.
6. BOWATER CANADA TREASURY CORPORATION
7. BOWATER CANADIAN FOREST PRODUCTS INC.
8. BOWATER SHELBURNE CORPORATION
9. BOWATER LAHAVE CORPORATION
10. ST-MAURICE RIVER DRIVE COMPANY LIMITED
11. BOWATER TREATED WOOD INC.
12. CANEXEL HARDBOARD INC.
13. 9068-9050 QUÉBEC INC.
14. ALLIANCE FOREST PRODUCTS (2001) INC.
15. BOWATER BELLEDUNE SAWMILL INC.
16. BOWATER MARITIMES INC.
17. BOWATER MITIS INC.
18. BOWATER GUÉRETTE INC.
19. BOWATER COUTURIER INC.

SCHEDULE "C"
18.6 CCAA PETITIONERS

1. ABITIBIBOWATER INC.
2. ABITIBIBOWATER US HOLDING 1 CORP.
3. BOWATER VENTURES INC.
4. BOWATER INCORPORATED
5. BOWATER NUWAY INC.
6. BOWATER NUWAY MID-STATES INC.
7. CATAWBA PROPERTY HOLDINGS LLC
8. BOWATER FINANCE COMPANY INC.
9. BOWATER SOUTH AMERICAN HOLDINGS INCORPORATED
10. BOWATER AMERICA INC.
11. LAKE SUPERIOR FOREST PRODUCTS INC.
12. BOWATER NEWSPRINT SOUTH LLC
13. BOWATER NEWSPRINT SOUTH OPERATIONS LLC
14. BOWATER FINANCE II, LLC
15. BOWATER ALABAMA LLC
16. COOSA PINES GOLF CLUB HOLDINGS LLC