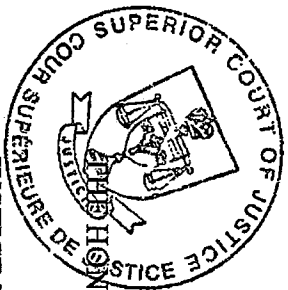


TAB 12

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST



THE HONOURABLE MR.

WEDNESDAY, THE 1ST

JUSTICE MORAWETZ

DAY OF AUGUST, 2007

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HOLLINGER INC., 4322525 CANADA INC.
AND SUGRA LIMITED (the "Applicants")

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the Affidavit of G. Wesley Voorheis sworn July 31, 2007 and the Exhibits thereto, on hearing the submissions of counsel for the Applicants and on reading the consent of Ernst & Young Inc. to act as the Monitor, and upon being advised that counsel for Sun-Times Media Group, Inc. ("STMG") and Davidson Kempner Partners have received very short notice of the commencement of this proceeding,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan") between, *inter alia*, the Applicants and one or more classes of their secured and/or unsecured creditors as they deem appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their businesses (the "Business") and Property. The Applicants shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Advisors") currently retained or employed by them, with liberty to retain such further Advisors as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, compensation, salaries, employee and pension benefits, vacation pay, retention or similar bonuses or payments, and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies, arrangements and agreements;

- (b) the fees and disbursements of any Advisors retained or engaged by the Applicants in respect of these proceedings or otherwise, at their standard rates and charges; and
- (c) the fees and disbursements of the Inspector appointed pursuant to an Order dated October 14, 2004 and amended October 26, 2004 under the *Canada Business Corporations Act* (Canada) in Action No. 04-CL-5441 in the Ontario Superior Court of Justice, Commercial List (the "**Inspector Action**"), the Inspector's counsel and any other service providers previously retained by the Inspector, at their standard rates and charges.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

7. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada, any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

8. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

9. **THIS COURT ORDERS** that the Applicants shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations and to dispose of redundant or non-material assets not exceeding \$2,000,000 in any one transaction or \$5,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deems appropriate on such terms as may be agreed upon between the Applicants and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;

- (c) repudiate such of their arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicants deem appropriate on such terms as may be agreed upon between the Applicants and such counterparties, or failing such agreement, to deal with the consequences thereof in the Plan; and
- (d) pursue all avenues of refinancing and offers for material parts of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a) and (b), above),

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "Restructuring").

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

10. **THIS COURT ORDERS** that until and including August 30, 2007, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

11. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, trustee, collateral agent, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) exempt the Applicants from compliance with statutory or regulatory provisions

relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

12. **THIS COURT ORDERS** that during the Stay Period no exercise of rights by any Person, whether by way of enforcement or otherwise, and no proceeding, enforcement step or action of any kind shall be taken by any Person that could have the effect of or result in:

- (a) a sale, transfer or disposal of the shares of Class B common stock of STMG owned by any of the Applicants, to a party that is not a subsidiary or affiliate of Hollinger Inc.; or
- (b) the shares of Class B common stock of STMG being automatically converted into shares of Class A common stock of STMG,

including, without limitation, a transfer to or registration of the shares of Class B common stock of STMG in the name of such Person or its nominee(s). *RS*

13. **THIS COURT ORDERS** *(ii) be RS* that nothing herein *is intended* shall be deemed to be in breach of any law, regulation, rule, or order, or deemed to cause, create or enable economic or voting dilution, whether actual or potential, of the shares of Class B common stock of STMG or the shares of Class A common stock of STMG (the "STMG Shares"), *(iii) be RS* or a dilution or reduction, whether actual or potential, of the voting rights attached to any of the STMG Shares, which are held directly or indirectly by Hollinger or an Applicant or a dilution or reduction, whether actual or potential of the voting rights attached to any of the STMG Shares or the diminution of any legal rights, whether actual or potential, currently attached to the STMG Shares, or a default or change of control under any agreements, indentures or other instruments. *(iv) be RS*

NO INTERFERENCE WITH RIGHTS

14. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

15. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including, without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

16. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, no creditor of the Applicants shall be under any obligation after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

17. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

18. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs 5(a), 7(a), 7(b) and 7(c) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of willful misconduct.

19. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00, as security for the indemnity provided in paragraph 17 of this Order. The Directors' Charge shall have the priority set out in paragraphs 31 and 33 herein.

20. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 17 of this Order.

APPOINTMENT OF MONITOR

21. **THIS COURT ORDERS** that Ernst & Young Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicants' conduct of the Business, with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Advisors shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

22. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicants in their preparation of the Applicants' cash flow statements;
- (d) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (e) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (f) have full and complete access to the books, records, management, employees and advisors of the Applicants and to the Business and the Property to the extent required to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (h) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

23. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

24. **THIS COURT ORDERS** that nothing contained herein shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession of such Property.

25. **THIS COURT ORDERS** that the Monitor shall not be required or compelled to provide any information obtained by it in performing its role as Inspector pursuant to the Orders of the Honourable Justice Campbell in the Inspector Action as a result of its appointment herein as Monitor including, without limitation, by way of testimony in any proceeding in any court in Canada or the United States of America brought by or against any person or entity related to or affiliated in any way with the business of the Applicants.

26. **THIS COURT ORDERS** that the Monitor shall protect the confidentiality of such information not forming part of the public record in the Inspector Action, shall be subject to the direction of the Court supervising the Inspector Action with respect to any ongoing role as Inspector of the Applicant and that in the event of any uncertainty or conflict concerning the ongoing role of the Inspector, the Inspector shall apply to the Court supervising the Inspector Action, and to the Court supervising this proceeding where necessary, for advice and directions.

27. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis and, in addition, the Applicants are hereby authorized to pay to (i) the Monitor and its counsel, and (ii) Canadian and U.S. counsel to the Applicants, retainers in the amounts of CDN\$150,000.00 and \$300,000.00, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and the Applicants' counsel and financial advisor shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1,900,000.00, to be allocated among the beneficiaries of such charge as they may determine amongst themselves, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and all such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 31 and 33 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

32. **THIS COURT ORDERS** that the priorities of the Directors' Charge and the Administration Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$1,900,000.00); and

Second – Directors' Charge (to the maximum amount of \$500,000.00).

33. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge and the Administration Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

34. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

35. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

36. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Charges do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

SERVICE AND NOTICE

37. **THIS COURT ORDERS** that the Applicants shall, within ten (10) business days of the date of entry of this Order, send a notice of the issuance of this Order to its known creditors, other than employees and creditors to which the Applicants owe less than \$1,000.00, at their addresses as they appear on the Applicants' records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of

its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

38. **THIS COURT ORDERS** that the Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

39. **THIS COURT ORDERS** that the Applicants, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at: www.ev.com/ca/restructuring.

GENERAL

40. **THIS COURT ORDERS** that the Applicants or the Monitor may, from time to time, apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

41. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

EFFECT, RECOGNITION, ASSISTANCE

42. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States of America, the states and other subdivisions of the United States of America, including, without

limitation, the U.S. Bankruptcy Court, and other nations and states to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order and any other Order in this proceeding. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to Hollinger Inc. and/or the Monitor in any foreign proceeding and to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order and any other Order in this proceeding, including without limitation recognizing the Applicants' CCAA proceeding as a foreign main proceeding under applicable law.

43. **THIS COURT ORDER** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and this proceeding and for assistance in carrying out the terms of this Order and any other Order granted by this Court and to recognize or give effect to or otherwise further the Restructuring.

44. **THIS COURT ORDERS** that, for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada and in particular in the U.S. Bankruptcy Court in respect of proceedings commenced under Chapter 15 of the *U.S. Bankruptcy Code* and any ancillary relief in respect thereto, Hollinger Inc. shall be appointed as and is hereby authorized and directed to act as the foreign representative of the Applicants and to seek such aid in recognition.

DIRECTIONS, FURTHER RELIEF AND VARIATION

45. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the Order sought or upon such other notice, if any, as this Court may order.

EFFECTIVE TIME

46. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

AUG 01 2007

PER/PAR: 

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT
WITH RESPECT TO HOLLINGER INC., 4322525 CANADA INC. AND SUGRA LIMITED

Court File No. 07-CL-7120

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding Commenced at Toronto

INITIAL ORDER
DATED AUGUST 1, 2007

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Solicitors for the Applicants

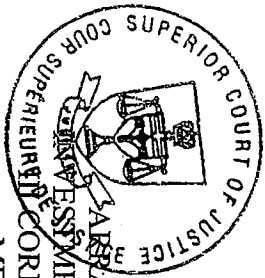
TAB 13

Court File No.
08-CL-7940

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE)
) MONDAY, THE 17TH
)

MR. JUSTICE CAMPBELL) DAY OF MARCH, 2008



IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE AND
ARRANGEMENT INVOLVING METCALFE & MANSFIELD ALTERNATIVE
INVESTMENTS II CORP., METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS
CORP., METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS V CORP.,
METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS XI CORP.,
METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS XII CORP.,
4446372 CANADA INC. AND 6932819 CANADA INC.,
TRUSTEES OF THE CONDUITS LISTED IN SCHEDULE "A" HERETO

BETWEEN:

THE INVESTORS REPRESENTED ON
THE PAN-CANADIAN INVESTORS COMMITTEE FOR THIRD-PARTY STRUCTURED
ASSET-BACKED COMMERCIAL PAPER LISTED IN SCHEDULE "B" HERETO

Applicants

- and -

METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS II CORP.,
METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS III CORP.,
METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS V CORP.,
METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS XI CORP.,
METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS XII CORP.,
4446372 CANADA INC. AND 6932819 CANADA INC.,
TRUSTEES OF THE CONDUITS LISTED IN SCHEDULE "A" HERETO

Respondents

INITIAL ORDER

THIS APPLICATION, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), made by the investors represented on the Pan-Canadian Investors Committee for Third-Party Structured Asset-Backed Commercial Paper (the "Committee") listed in Schedule "B" hereto (each an "Applicant" and collectively, the "Applicants"), as investors in asset-backed commercial paper and related securities issued by the Respondents or their predecessors (all such securities outstanding being hereinafter referred to as the "Affected ABCP") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Purdy Crawford, C.C., Q.C. sworn March 17, 2008 (the "Crawford Affidavit") and the Exhibits thereto and the Report of Ernst & Young Inc. ("EYI") dated March 17, 2008 (the "First Report") prepared in contemplation of EYI's appointment as monitor of the Respondents (hereinafter referred to as the "Monitor") and on hearing the submissions of counsel for the Committee, and on hearing counsel for the Respondents 4446372 Canada Inc., 6932819 Canada Inc., Metcalfe & Mansfield Alternative Investments II Corp., Metcalfe & Mansfield Alternative Investments III Corp., Metcalfe & Mansfield Alternative Investments V Corp., Metcalfe & Mansfield Alternative Investments XI Corp. and Metcalfe & Mansfield Alternative Investments XII Corp., the issuer trustees of the trusts listed on Schedule "A" hereto (such trusts being herein referred to as the "Conduits"), who do not oppose this Application, and on hearing counsel for ● and counsel for EYI in its capacity as proposed Monitor, and on reading the consent of EYI to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that each of the Respondents is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Plan of Compromise and Arrangement (hereinafter referred to as the "Plan" which term shall include amendments thereto) presented by the Committee and annexed to the Crawford Affidavit be and is hereby accepted for filing and, unless otherwise ordered by this Court, the Committee shall have the exclusive authority to (i) file with this Court amendments to and/or amended and restated versions of the Plan and (ii) propose meetings of creditors to consider and vote on the Plan.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that:

- (a) the Respondents and the Conduits (collectively, the "CCAA Parties") shall remain in possession and control of their respective title and interests in the Conduits' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property");
- (b) subject to any other provision of this Order or further order of this Court, the CCAA Parties, the Administrative Agents and the Financial Services Agents (as such parties are defined in Schedule "C") shall continue to act in a manner consistent with the administration of the Property in accordance with past practices; and
- (c) any Respondent is authorized and directed to effect a sale or sales of Traditional Assets (as defined in the First Report) to the Originators (as defined in the First Report) of such assets, free and clear of the security interest held by the Existing Note Indenture Trustee (as defined in Schedule "C") in respect of the relevant Conduit provided that: (i) the security interest of the Existing Note Indenture Trustee shall and is deemed to attach to the net proceeds of such sale; (ii) the Monitor is satisfied that the sale price for such assets represents an amount that would enable the repayment of all related Affected ABCP and all other indebtedness incurred in connection with the original purchase by the Respondent of the assets sold and accrued interest on such amounts to the date of such sale;

and (iii) the net proceeds shall be received by the respective Respondent (or its respective Administrative Agent or Financial Services Agent) and shall be subject to the provisions of this Order.

5. THIS COURT ORDERS that, with respect to any and all obligations of the Respondents payable under this Order, recourse shall be limited to the Property.

6. THIS COURT ORDERS that, all fees payable to and expenses incurred by the CCAA Parties, the Existing Note Indenture Trustees, the Administrative Agents and the Financial Services Agents in connection with these proceedings or the administration of the Property or the Conduits or their trust indentures before and after this Order and in carrying out the provisions of this Order shall be paid (to the extent accrued and unpaid) and shall continue to be paid in the ordinary course and, where applicable, pursuant to the provisions of any applicable declarations of trust, trust indentures, financial services agreements, administration agreements and other agreements governing the administration and operation of the Conduits (collectively, for the purposes of this Order, the "Administrative Agreements"), which expenses shall include:

- (a) all expenses reasonably necessary for the administration of the Property (whether payable directly by the CCAA Parties or on their behalf by the Administrative Agents or Financial Services Agents) and payments on account of insurance (including existing directors and officers liability insurance for the Respondents, the Administrative Agents and the Financial Services Agents);
- (b) fees and reimbursement of expenses as provided under the Administrative Agreements; and
- (c) the reasonable fees and disbursements of counsel for the Respondents, counsel for the Existing Note Indenture Trustees, counsel for the Administrative Agents and counsel for the Financial Services Agents in connection with these proceedings whether or not specifically provided for under the Administrative Agreements, in each case at their standard rates and charges.

7. THIS COURT ORDERS that, except for payments described in paragraph 6 or as otherwise specifically permitted herein, the CCAA Parties are hereby directed, until further order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of Affected ABCP owing by any of the CCAA Parties as of this date or accruing after this date;
- (b) to grant no security interests, trusts, liens, charges or encumbrances upon or in respect of any of the Property except as provided for in this Order or subsequent order of this Court; and
- (c) to not grant credit or incur liabilities except in the ordinary course of the administration of the Conduits or the Property, and for greater certainty nothing in this Order shall prohibit payments in respect of existing derivative contracts, securitization agreements, asset purchase agreements, pooling and servicing agreements, and similar existing arrangements.

NO PROCEEDINGS AGAINST THE CCAA PARTIES OR THE PROPERTY

also

8. THIS COURT ORDERS that until and including April 1~~6~~ 2008, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each a "Proceeding") shall be commenced or continued against or in respect of the CCAA Parties (including any of the respective affiliates, and present and former directors, officers, employees, associated individuals, advisors, agents and representatives (collectively, "Representatives") of the Respondents) or the Monitor or its Representatives, or affecting the Property, except with prior leave of this Court, on at least seven (7) days' notice to any subject Respondent or the Monitor, as applicable, and any and all Proceedings currently under way against or in respect of the CCAA Parties or their respective Representatives or affecting the Property are hereby stayed and suspended pending further order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing collectively being "Persons" and each being a "Person") against or in respect of any of the CCAA Parties (including any of the Respondents' respective Representatives) or the Monitor, or affecting the Property, are hereby stayed and suspended except with prior leave of this Court, on at least seven (7) days' notice to any subject Respondent or the Monitor, as applicable, provided that nothing in this Order shall (i) empower the CCAA Parties to carry on any business which the CCAA Parties are not lawfully entitled to carry on, (ii) exempt the CCAA Parties from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

10. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, obligation, contract, agreement, licence or permit in favour of or held by any of the CCAA Parties, except with the written consent of the Monitor, in consultation with the Committee and the applicable Respondent, or leave of this Court.

CONTINUATION OF SERVICES

11. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements (including the Administrative Agreements) with any or all of the CCAA Parties or statutory or regulatory mandates for the supply of goods and/or services, including all financial services, administration services, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to any of the CCAA Parties, are hereby restrained until further order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the CCAA Parties, and that the CCAA Parties shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet

addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the CCAA Parties in accordance with normal or existing payment practices of the CCAA Parties, or such other practices as may be agreed upon by the supplier or service provider and the applicable Respondent and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

12. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of the CCAA Parties shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to any of the CCAA Parties. Nothing in the Order shall derogate from the rights conferred and obligations imposed by the CCAA, including the provisions of section 11.1 concerning eligible financial contracts.

RESTRUCTURING

13. THIS COURT ORDERS that the CCAA Parties shall have the right, subject to the prior written consent of the Monitor, in consultation with the Committee, and upon an order of this Court being obtained, to repudiate such of their arrangements or agreements of any nature whatsoever, whether oral or written, as the CCAA Parties deem appropriate on such terms as may be agreed upon between the CCAA Parties and the counter-parties to such arrangements or agreements, or failing such agreement, to deal with the consequences thereof in the Plan subject to paragraph 3 hereof. For the purposes of this Order, the CCAA Parties shall provide thirty (30) days prior written notice of any repudiation of an Administrative Agreement with an Existing Note Indenture Trustee, an Administrative Agent or a Financial Services Agent if such repudiation is to be effective prior to implementation of the Plan.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

14. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Respondents, the Original Issuer Trustees (as defined in Schedule "C"), the Administrative Agents and the Financial Services Agents (collectively, the "Directors and Officers") with respect to any claim against any of the Directors

and Officers that arose before or arises after the date hereof and that relates to any obligations of any of the CCAA Parties or to the Property, whereby any of the Directors and Officers are alleged under any law to be liable in their capacity as Directors or Officers for the payment or performance of such obligations, until the Plan is sanctioned by this Court or is refused by the creditors of the CCAA Parties or this Court.

PROCEEDINGS AGAINST THE COMMITTEE AND OTHERS

15. THIS COURT ORDERS that the Applicants (including their respective Representatives) shall not incur any liability or obligation as a result of acting in their capacity as investors represented on the Committee or as Applicants in these proceedings, including acting in connection with the preparation for and the commencement of these proceedings, acting in connection with presenting and filing the Plan and proposing meetings and soliciting proxies in connection therewith, provided that nothing herein shall relieve an Applicant from its obligations specifically assumed or undertaken while acting in this capacity.

16. THIS COURT ORDERS that the Committee, the Chairman of the Committee (the "Chairman") and each other individual member of the Committee (each, a "Member") shall not incur any liability or obligation from and after the date hereof as a result of acting in that capacity in accordance with this order and subsequent orders herein.

17. THIS COURT ORDERS that during the Stay Period no action or other proceeding shall be commenced against the Committee, the Chairman, a Member or an Applicant (including, in each case, their respective Representatives) relating to their acting as such, except with prior leave of this Court, on at least seven (7) days' notice to (i) the Committee and its counsel, (ii) the Chairman and his counsel (iii) any subject Applicant or Member and their counsel and (iv) the Monitor and its counsel, and upon further order requiring payment of security for costs, to be given by the plaintiff for the costs, on a substantial indemnity basis, of the Committee, the Chairman, a Member or an Applicant, if any, in connection with any such action or proceeding.

18. THIS COURT ORDERS that the Respondents, the Original Issuer Trustees, the Existing Note Indenture Trustees, the Administrative Agents, the Financial Services Agents and the Sponsors (as described in the Crawford Affidavit) (including, in each case, their respective

Representatives) shall have no liability or obligation as a result of their role in the replacement of the Original Issuer Trustees by certain of the Respondents or in connection with any other actions, activities and transactions undertaken, or refrained from being undertaken, at the request of the Committee or otherwise to assist the Committee in preparation for or to facilitate these proceedings including, entering into the Support Agreements (as described in the Crawford Affidavit), if applicable, provided that nothing herein shall relieve any party from its obligations specifically assumed or undertaken pursuant to such actions, activities or transactions.

19. THIS COURT ORDERS that the Respondents, the Existing Note Indenture Trustees, the Administrative Agents and the Financial Services Agents (including, in each case, their respective Representatives) shall not incur any liability or obligation as a result of acting in their capacity as trustees or as agents of the CCAA Parties during the pendency of these proceedings or complying with an order of this Court.

20. THIS COURT ORDERS that no action or other proceeding shall be commenced against any of the Existing Note Indenture Trustees, the Original Issuer Trustees, the Administrative Agents, the Financial Services Agents and the Sponsors (including, in each case, their respective Representatives) relating in any way to their acting as such except with prior leave of this Court, on at least seven (7) days' notice to any subject Existing Note Indenture Trustee, Original Issuer Trustee, Administrative Agent or Financial Services Agent and its counsel and the Monitor and its counsel, and, if any intended action or proceeding relates to any of the matters set out in paragraphs 18 and 19, upon further order requiring payment of security for costs, to be given by the plaintiff for the costs, on a substantial indemnity basis, of the applicable Existing Note Indenture Trustee, Original Issuer Trustee, Administrative Agent or Financial Services Agent (including, in each case, its Representatives), if any, in connection with any such action or proceeding.

21. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any Person against the Existing Note Indenture Trustees, the Original Issuer Trustees, the Administrative Agents, the Financial Services Agents, the Asset Providers (as defined in Schedule "C"), the Canadian Banks (as defined in Schedule "C") and the Sponsors (including, in each case, their respective Representatives) in those capacities are hereby stayed and suspended

except with prior leave of this Court, on at least seven (7) days' notice to any subject Existing Note Indenture Trustee, Original Issuer Trustee, Administrative Agent, Financial Services Agent, Asset Provider, Canadian Bank or Sponsor and its counsel, and the Monitor and its counsel, provided that nothing in this Order shall (i) empower any Existing Note Indenture Trustee, Original Issuer Trustee, Administrative Agent or Financial Services Agent, Asset Provider, Canadian Bank or Sponsor to carry on any business which they are not lawfully entitled to carry on, (ii) exempt any Existing Note Indenture Trustee, Original Issuer Trustee, Administrative Agent, Financial Services Agent, Asset Provider, Canadian Bank or Sponsor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

SUPPORT AGREEMENT TERMINATION RIGHTS

22. THIS COURT ORDERS that nothing in this Order shall stay or interfere with the right of any party to a Support Agreement to exercise that party's right to terminate a Support Agreement or any standstill provided thereunder, pursuant to and in accordance with the terms of such Support Agreement. In connection with the Support Agreements, until further order of this Court, the Respondents shall not exercise any rights against Asset Providers that are counter-parties under any liquidity agreements with any Respondents.

APPOINTMENT OF MONITOR

23. THIS COURT ORDERS that Ernst & Young Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the CCAA Parties' conduct with the powers and obligations set out in the CCAA or set forth herein.

24. The CCAA Parties and their respective Representatives shall advise the Monitor of all material steps taken by the CCAA Parties pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

25. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the CCAA Parties' receipts and disbursements to the extent it deems necessary to preserve and protect the Property and to enable the Monitor to review and, if appropriate, consent to expenditures by the CCAA Parties pursuant to paragraph 7(a) or 13 above and, in connection therewith, the CCAA Parties, the Administrative Agents and the Financial Services Agents shall upon written request provide the Monitor with the particulars of all such receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property and such other matters as may be relevant to the proceedings herein;
- (c) engage in discussions with, and, if appropriate, attend negotiations with any stakeholder concerning matters that may arise during these proceedings;
- (d) disseminate to the Respondents or the Committee, and their respective counsel, such reports and information as they may request with respect to any and all matters pertaining to the CCAA Parties, any Property, or any other matter required by the Respondents or the Committee;
- (e) advise the CCAA Parties (and, where relevant, their respective Administrative Agents and Financial Services Agents) in their preparation of cash flow statements for the Conduits and reporting required by the Court, which information shall be reviewed with the Monitor;
- (f) have full and complete access to the books, records and management, employees and advisors of the CCAA Parties and the Property to the extent required to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel, consultants, agents, experts, financial advisors, including in each case affiliates of the Monitor, or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

- (h) advise the Committee, to the extent requested by the Committee, in the Committee's development of any amendments to the Plan;
- (i) assist the Committee, to the extent requested by the Committee, with the holding and administering of creditors' meetings for voting on the Plan;
- (j) consider, and if deemed advisable by the Monitor, prepare a report on and assessment of the Plan;
- (k) perform such other duties as are required by this Order; and
- (l) perform such other duties as may be agreed to by the Monitor and approved by the Court.

26. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the administration or management of the CCAA Parties and shall not, by fulfilling its obligations hereunder, be deemed to have taken part in the administration or management of the CCAA Parties or to have taken or maintained possession or control of the Property, or any part thereof.

27. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

28. THIS COURT ORDERS that the Monitor shall provide any creditor of the CCAA Parties with information provided by the CCAA Parties or the Committee in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the party providing the confidential information may agree.

29. THIS COURT ORDERS that, in addition to the rights and protections afforded to the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded to the Monitor by the CCAA or any applicable legislation.

30. THIS COURT ORDERS that the First Report be and the same is hereby accepted and approved.

31. THIS COURT ORDERS that EYI shall not incur any liability or obligation as a result of its activities described in the First Report.

PAYMENT OF FEES AND THE CCAA PROFESSIONALS CHARGE

32. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the CCAA Parties, counsel to the Committee, PricewaterhouseCoopers Inc. in its role as Financial Advisor ("PwC") to the Ad Hoc Committee of Holders of Non-Bank Sponsored ABCP (the "AHC") as appointed by the Order of this Court of even date herewith) and its counsel and counsel to the AHC as appointed by the Order of this Court of even date herewith, shall be paid their reasonable fees and disbursements in connection with these proceedings, in each case at their standard rates and charges, from and after the filing of this Application (and in the case of PwC and its counsel for services provided to the AHC prior to their appointment of even date, from and after March 1, 2008 to the date preceding their appointment), by the CCAA Parties as part of

the costs of these proceedings, subject to a series by series allocation (the "Allocation"). The Allocation shall be reviewed and approved by the Monitor and will be based, in first instance, on the face values at scheduled maturity of the outstanding Affected ABCP in respect of each series. The Allocation will, at all times and for all purposes, be conditional on the Monitor's confirmation that there is sufficient cash held or deposited during these proceedings in the trust accounts of the Respondents ("Cash on Hand") in respect of a series to pay that series' portion of the Allocation, failing which the Allocation will be adjusted by the Monitor as necessary to ensure payment of the total amount of the said fees and disbursements. The CCAA Parties are hereby directed to pay their portion, pursuant to the Allocation, of the accounts of counsel to the Monitor, the Monitor, counsel to the CCAA Parties, counsel to the Committee, PwC, counsel to PwC and counsel to the AHC forthwith after such accounts are presented and in any event no later than ten (10) days after such accounts are presented and, in addition, each of the CCAA Parties is hereby authorized and directed to pay forthwith its portion, pursuant to the Allocation, of a retainer in the aggregate amount of \$10,000,000.00 to be held by the Monitor as security for the payment of the foregoing respective fees and disbursements of the Monitor, counsel to the Monitor, counsel to the CCAA Parties, counsel to the Committee, PwC, counsel to PwC and counsel to the AHC outstanding from time to time.

33. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

34. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the CCAA Parties, counsel to the Committee, PwC, counsel to PwC and counsel to the AHC shall be entitled to the benefit of and are hereby granted a charge (the "CCAA Professionals Charge"), on the Cash on Hand, which charge shall be allocated on a series by series basis in accordance with the Allocation and shall not exceed in the aggregate in respect of all Conduits the amount of \$10,000,000.00 as security for their reasonable fees and disbursements described in paragraph 32 of this Order incurred at their standard rates and charges. The CCAA Professionals Charge shall have the priority set out in paragraphs 40 and 41 hereof and any subsequent enforcement thereof shall be administered by the Monitor in accordance with the Allocation. For the purposes of

paragraph 32 and this paragraph 34, the Administrative Agents and Financial Services Agents shall have no responsibility to review accounts for reasonableness.

ADMINISTRATION CHARGE

35. THIS COURT ORDERS that with respect to the payment of fees and expenses described in paragraph 6 hereof, the payees shall be entitled to the benefit of and are hereby granted a charge not to exceed in the aggregate in respect of all Conduits the amount of \$10,000,000.00 (the "Administration Charge") on the Cash on Hand, which charge shall be allocated by the Monitor on a series by series basis in accordance with the Administrative Agreements to the extent the related fees and expenses are payable thereunder, as security for payment by the CCAA Parties of such fees and expenses. The Administration Charge shall have the priority set out in paragraphs 40 and 41 hereof and any subsequent enforcement thereof shall be administered by the Monitor.

DIRECTORS AND OFFICERS INDEMNIFICATION AND CHARGE

36. THIS COURT ORDERS that the applicable CCAA Parties shall, on a Conduit by Conduit basis, indemnify the Directors and Officers relating to such Conduit from all claims, costs, charges and expenses of any nature whatsoever which may arise from the failure of such CCAA Parties to pay amounts arising and coming due after the date hereof or from other circumstances arising on or after the date hereof in respect of such Conduit, which they may sustain or incur on or after the date hereof in respect of such Conduit, by reason of or in relation to their respective capacities as Directors and/or Officers except to the extent that, with respect to any Director or Officer, such Director or Officer is found, by a final determination of a court of competent jurisdiction, to have actively participated in the breach of any related fiduciary duty or to have been grossly negligent or guilty of willful misconduct.

37. THIS COURT ORDERS that, in respect of each Conduit, the Directors and Officers relating to such Conduit shall be entitled to the benefit of and are hereby granted a charge on the Cash on Hand relating to such Conduit, which charges shall not exceed in the aggregate in respect of all Conduits the amount of \$5,000,000.00 (collectively, the "Directors' Charge") and shall be allocated by the Monitor, subject to further order of this Court, on a Conduit by Conduit

basis as security for the indemnity provided in paragraph 36 of this Order. The Directors' Charge shall have the priority set out in paragraphs 40 and 41 herein and any subsequent enforcement thereof shall be administered by the Monitor.

38. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, the Directors and Officers shall only be entitled to the benefit of the applicable Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 36 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

39. THIS COURT ORDERS that the filing, registration or perfection of the CCAA Professionals Charge, the Administration Charge and the Directors' Charge (collectively, the "CCAA Charges") shall not be required, and that the CCAA Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the CCAA Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. THIS COURT ORDERS that the priorities of the CCAA Charges, as among them, shall be as follows:

- First – CCAA Professionals Charge;
- Second – Administration Charge;
- Third – Directors' Charge.

41. THIS COURT ORDERS that the CCAA Charges shall each constitute a charge on the applicable Cash on Hand and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

42. THIS COURT ORDERS that, except as otherwise expressly provided for herein, or as may be approved by this Court, the CCAA Parties shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the CCAA Charges.

43. THIS COURT ORDERS that the CCAA Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the CCAA Charges (collectively, the "Chargees") thereunder shall not otherwise be limited or impaired in any way by (i) the pendency of these proceedings and the declarations of insolvency made herein; (ii) any application for a bankruptcy order issued pursuant to the *Bankruptcy and Insolvency Act* ("BIA"), or any bankruptcy order made pursuant to such applications; (iii) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (iv) the provisions of any federal or provincial statutes; or (v) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan document, indenture or other agreement (collectively, an "Agreement") which binds any of the CCAA Parties, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the CCAA Charges shall not create or be deemed to constitute a breach by any of the CCAA Parties of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the CCAA Charges; and
- (c) the payments made by the CCAA Parties pursuant to this Order and the granting of the CCAA Charges do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

APPROVAL OF AGREEMENTS

44. THIS COURT ORDERS that

- (a) the amended and restated fee agreements between Newshore Financial Services Inc. and Aria Trust, Encore Trust, Newshore Canadian Trust, Opus Trust and Symphony Trust,
- (b) the following Global Amending Agreements: (i) Global Amending Agreement made as of August 1, 2007 in respect of each of the administration agreements between Coventree Administration Corp. and each of Apollo Trust, Aurora Trust, Comet Trust, Gemini Trust, Planet Trust, Rocket Trust and Slate Trust; (ii) Global Amending Agreement made as of August 1, 2007 in respect of each of the financial arrangement agreements between Coventree Capital Inc. and each of Apollo Trust, Aurora Trust, Comet Trust, Gemini Trust, Planet Trust, Rocket Trust and Slate Trust; (iii) Global Amending Agreement made as of August 1, 2007 in respect of each of the administration agreements between 1614723 Ontario Inc. and each of Structured Asset Trust and Structured Investment Trust III; (iv) Global Amending Agreement made as of August 1, 2007 in respect of each of the financial agent agreements between Nereus Financial Inc. and each of Structured Asset Trust and Structured Investment Trust II; and (v) Amending Agreement (Constellation FAA's) No. 2 dated as of August 1, 2007 between 1462888 Ontario Inc. ("1462888") and Coventree Capital Inc. ("Coventree") to the Base Financial Arrangement Agreement dated as of July 9, 2002 between Coventree Capital Group Inc. and 1462888, as amended by the Amending Agreement (Constellation FAAs) made as of April 1, 2007 between 1462888 and Coventree, and
- (c) the fee arrangement amendments between Securitus Capital and Selkirk Funding Trust,

all as described in the First Report and the payments provided for therein are hereby ratified, authorized and approved and the effectiveness of such agreements and the

payments provided for therein shall not be limited or impaired in any way by (i) the pendency of these proceedings and the declarations of insolvency made herein, or (ii) any order issued pursuant to the *Bankruptcy and Insolvency Act*, or (iii) the provisions of any federal or provincial statute.

SERVICE AND NOTICE

45. THIS COURT ORDERS that the Monitor shall, within ten (10) business days of the date of entry of this Order, send a copy of this Order to the CCAA Parties' known creditors, other than employees and creditors to which the CCAA Parties owe less than \$100,000.00, at their addresses as they appear on the CCAA Parties' records, and shall promptly send a copy of this Order to any Person requesting a copy of this Order, and the Monitor is relieved of its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

46. THIS COURT ORDERS that the Respondents, the Applicants, the Committee and the Monitor are at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the CCAA Parties' creditors or other interested parties at their respective addresses as last shown on the records of the CCAA Parties and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing without the necessity of any acknowledgement of receipt being delivered or proven in respect of such service.

47. THIS COURT ORDERS that the Respondents, the Applicants, the Committee, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor shall post a copy of any or all such materials on its website www.ey.com/ca/commercialpaper.

GENERAL

48. THIS COURT ORDERS that all uses of the word "include" or "including" in this Order shall mean "include without limitation" or "including without limitation".
49. THIS COURT ORDERS that references to the singular herein include the plural, the plural include the singular, and any gender includes the other gender.
50. THIS COURT ORDERS that any of the Monitor, Respondents, the Applicants or the Committee may from time to time apply to this Court for advice and directions.
51. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the CCAA Parties, the Applicants, the Committee and the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the CCAA Parties, the Applicants, the Committee and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the CCAA Parties, the Applicants, the Committee and the Monitor and their respective agents in carrying out the terms of this Order.
52. THIS COURT ORDERS that the Monitor, the CCAA Parties, the Applicants and the Committee shall not, without further order of this Court, seek or apply for the commencement of a foreign main proceeding in respect of the CCAA Parties.
53. THIS COURT ORDERS that each of the CCAA Parties, the Applicants, the Committee and the Monitor is at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.
54. THIS COURT ORDERS that any interested party (including the CCAA Parties, the Applicants, the Committee and the Monitor) may apply to this Court to vary or amend this Order

SCHEDULE "A"

Conduits

Apollo Trust
Apsley Trust
Aria Trust
Aurora Trust
Comet Trust
Encore Trust
Gemini Trust
Ironstone Trust
MMAI-I Trust
Newshore Canadian Trust
Opus Trust
Planet Trust
Rocket Trust
Selkirk Funding Trust
Silverstone Trust
Slate Trust
Structured Asset Trust
Structured Investment Trust III
Symphony Trust
Whitehall Trust

SCHEDULE "B"

Applicants

ATB Financial

Caisse de Dépôt et Placement du Québec

Canaccord Capital Corporation

Canada Mortgage and Housing Corporation

Canada Post Corporation

Credit Union Central Alberta Limited

Credit Union Central of British Columbia

Credit Union Central of Canada

Credit Union Central of Ontario

Credit Union Central of Saskatchewan

Desjardins Group

Magna International Inc.

National Bank Financial Inc./National Bank Of Canada

NAV Canada

Northwater Capital Management Inc.

Public Sector Pension Investment Board

The Governors of the University of Alberta

SCHEDULE "C"

Definitions

"Administrative Agents" means, collectively, the entities that administer the Conduits and their respective assets as agents for the Respondents;

"Asset Providers" means, collectively, the dealer banks, commercial banks and other entities which have entered into credit default swaps with and/or have sold Collateralized Debt Obligation assets to one or more of the Conduits directly or indirectly through satellite trusts, including: ABN AMRO; Bank of America, N.A.; Canadian Imperial Bank of Commerce; Citibank; Deutsche Bank AG; HSBC Bank USA, National Association; Merrill Lynch International; Swiss Re Financial Products Corporation; UBS AG and Wachovia Bank N.A. and their respective affiliates;

"Canadian Banks" means, for the purposes hereof, collectively, Bank of Montréal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, The Bank of Nova Scotia and Toronto-Dominion Bank;

"Existing Note Indenture Trustees" means, collectively, the note indenture trustees under the trust indentures entered into in respect of the Conduits, namely BNY Trust Company of Canada, (as successor to the Trust Company of Bank of Montréal), CIBC Mellon Trust Company, Computershare Trust Company of Canada (as note indenture trustee or as agent for The Canada Trust Company, as the case may be) and Natcan Trust Company with regard to the Conduits;

"Financial Services Agents" means, collectively, the entities that provide or cause to be provided financial, originating, structuring and/or analytical services to the Conduits as agents for the Respondents, including Securitus Capital Corp. (in that capacity for both Selkirk Funding Trust and its sub-trust);

"Original Issuer Trustees" means BNY Trust Company of Canada, Computershare Trust Company of Canada, Metcalfe & Mansfield I and Montreal Trust, as former issuer trustees of certain of the ABCP Conduits, and includes Computershare as agent or attorney for Montreal Trust in such capacity, and **"Original Issuer Trustee"** means any one of them;

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT
OF METCALFE & MANSFIELD ALTERNATIVE INVESTMENTS II CORP. ET AL.**

Court File No.: ●

08-CL-7440

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

INITIAL ORDER

Goodmans LLP
Barristers & Solicitors
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Toronto, Canada M5B 2M6

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Counsel for the Applicants

TAB 14

SUPERIOR COURT

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

No: 500-11-036133-094

DATE: APRIL 17, 2009

PRESENT: THE HONOURABLE MR. JUSTICE CLÉMENT GASCON, 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

INITIAL ORDER

[1] **CONSIDERING** the Petition for the Issuance of an Initial Order of Abitibi-Consolidated Inc., Bowater Canadian Holdings Inc. and the Petitioners on Schedules "A" and "B" hereof under Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36 (the "**CCAA**") and Sections 191 and ff. of the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 (the "**BCA**") and for the Issuance of a Recognition Order of AbitibiBowater Inc. and the Petitioners on Schedule "C" hereof under Section 18.6 of the CCAA (the "**Petition**");

[2] **CONSIDERING** the affidavit of Mr. William Harvey dated April 17, 2009, the Exhibits produced in support of the Petition, the consent of Ernst & Young Inc. to act as monitor (the "Monitor") and the submissions of counsel for the Petitioners and the Monitor;

[3] **GIVEN** the provisions of the CCAA;

[4] **CONSIDERING** the judgments of Pepall J. in *Smurfit-Stone Container Canada Inc.* (Ont. S.C., January 26-27, 2009), Romaine J. in *Calpine Canada Energy Ltd (Re)* (Alta Q.B., [2006] A.J. No. 412, and Chaput J. in *Papiers Gaspesia Inc.* (Que. S.C., 2004 CanLI 40296) that support extending the stay of proceedings sought to the Partnerships listed on Schedule D to the Petition;

[5] **CONSIDERING** the explanations given for the granting of the BI DIP Facility and for the continuation of the Securitization Program, both of which appear critical to the on-going operations of the Petitioners;

[6] **CONSIDERING** the justifications provided in support of the other Priority Charges sought in the Petition;

[7] **CONSIDERING**, however, that any decision on the suspension of the past service contributions or special payments to the Pension Plans should be made at a later date to be fixed within the next ten (10) days, once the parties likely to be affected by the orders sought in this respect are duly advised of such request;

FOR THESE REASONS, THE COURT:

[1] **GRANTS** the Petition.

[2] **ISSUES** an order pursuant to Sections 4, 5, 11 and 18.6 of the CCAA (the "Order"), divided under the following headings:

- a) Service
- b) Application of the CCAA
- c) Effective Time
- d) Plan of Arrangement
- e) Recognition of U.S. Proceedings
- f) Procedural Consolidation
- g) Stay of Proceedings against the Petitioners, the Partnerships, the Property, the Directors or others

- h) Possession of Property and Carrying on Business
- i) Securitization Program
- j) Restructuring
- k) Directors Indemnification and Charge
- l) BCFPI DIP Financing
- m) Inter-Company Advances
- n) Bowater Adequate Protection Charge
- o) Powers of the Monitor
- p) Appointment of Information Officer in Respect of U.S. Proceedings
- q) Approval and Appointment of Financial Advisor
- r) Priorities and General Provisions Relating to CCAA Charges
- s) General
- t) Effect, Recognition and Assistance

Service

[3] **EXEMPTS** AbitibiBowater Inc. ("**ABH**"), Abitibi-Consolidated Inc. ("**ACI**"), the Petitioners listed on Schedule "A" hereto (collectively with ACI, the "**Abitibi Petitioners**"), Bowater Canadian Holdings Inc. ("**BCHI**") and the Petitioners listed on Schedule "B" hereto (collectively with BCHI, the "**Bowater Petitioners**") from having to serve the Petition and from any notice of presentation.

Application of the CCAA

[4] **DECLARES** that the Abitibi Petitioners and the Bowater Petitioners (collectively the "**Petitioners**") are debtor companies to which the CCAA applies.

Effective time

[5] **DECLARES** that from immediately after midnight (Montréal time) on the day prior to this Order i.e. from the beginning of the day on April 17, 2009 (the "**Effective Time**") to the time of the granting of this Order, any act or action taken or notice given by any Person in respect of the Petitioners, the 18.6 Petitioners, the Directors or the Property (as those terms are defined hereinafter), are deemed not to have been taken or given,

as the case may be, to the extent such act, action or notice would otherwise be stayed after the granting of this Order.

Plan of Arrangement

[6] **ORDERS** that the Petitioners shall file with this Court and submit to their creditors one or more plans of compromise or arrangement under the CCAA (collectively, the "Plan") between, among others, the Petitioners and one or more classes of their creditors as the Petitioners may deem appropriate, on or before the Stay Termination Date (as defined hereinafter) or such other time or times as may be allowed by this Court.

Recognition of U.S. Proceedings

[7] **ORDERS AND DECLARE** that the proceedings (the "**U.S. Proceedings**") commenced by ABH and the Petitioners listed on Schedule "C" hereto (collectively, the "**18.6 Petitioners**") under Chapter 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**") be and are hereby recognized as foreign proceedings for purposes of Section 18.6 of the CCAA.

[8] **DECLARES** that the 18.6 Petitioners are debtor companies within the meaning of the CCAA and, as such, are entitled to relief under Section 18.6 of the CCAA.

Procedural Consolidation

[9] **ORDERS** that the consolidation of these CCAA proceedings in respect of the Abitibi Petitioners, the Bowater Petitioners and the 18.6 Petitioners shall be for administrative purposes only and shall not effect a consolidation of the assets and property of the Petitioners including, without limitation, for the purposes of any Plan or Plans that may be hereafter proposed.

Stay of Proceedings against the Petitioners, the Partnerships, the Property, the Directors or others

[10] **ORDERS** that, until and including May 14, 2009, or such later date as the Court may order (the "**Stay Termination Date**", the period from the date of this Order to the Stay Termination Date being referred to as the "**Stay Period**"), no right, legal or conventional, may be exercised and no proceeding, at law or under a contract, by reason of this Order or otherwise, however and wherever taken (collectively the "**Proceedings**") may be commenced or proceeded with by anyone, whether a person, firm, partnership, corporation, stock exchange, government, administration or entity exercising executive, legislative, judicial, regulatory or administrative functions (collectively, "**Persons**" and, individually, a "**Person**") against or in respect of the Petitioners, the 18.6 Petitioners and the entities listed on Schedule "D" hereto (the "**Partnerships**"), or any of the present or future property, assets, rights and

undertakings of the Petitioners, the 18.6 Petitioners or the Partnerships, of any nature and in any location, whether held directly or indirectly by the Petitioners, the 18.6 Petitioners or the Partnerships, in any capacity whatsoever, or held by others for the Petitioners, the 18.6 Petitioners or the Partnerships (collectively, the "Property"), and all Proceedings already commenced against the Petitioners, the 18.6 Petitioners, the Partnerships or any of the Property, are stayed and suspended until the Court authorizes the continuation thereof, the whole subject to the provisions of the CCAA.

[11] **ORDERS** that, without limiting the generality of the foregoing, during the Stay Period, all Persons having agreements, contracts or arrangements with the Petitioners, the 18.6 Petitioners, the Partnerships or in connection with any of the Property, whether written or oral, for any subject or purpose:

- a) are restrained from accelerating, terminating, cancelling, suspending, refusing to modify or extend on reasonable terms such agreements, contracts or arrangements or the rights of the Petitioners, the 18.6 Petitioners, the Partnerships or any other Person thereunder;
- b) are restrained from modifying, suspending or otherwise interfering with the supply of any goods, services, or other benefits by or to such Person thereunder (including, without limitation, any directors' and officers' insurance, any telephone numbers, any form of telecommunications service, any oil, gas, electricity or other utility supply); and
- c) shall continue to perform and observe the terms and conditions contained in such agreements, contracts or arrangements, so long as the Petitioners, the 18.6 Petitioners or the Partnerships pay the prices or charges for such goods and services received after the date of this Order as such prices or charges become due in accordance with the law or as may be hereafter negotiated (other than deposits whether by way of cash, letter of credit or guarantee, stand-by fees or similar items which the Petitioners, the 18.6 Petitioners or the Partnerships shall not be required to pay or grant);

Unless the prior written consent of the Petitioners, the 18.6 Petitioners or the Partnerships, as well as that of the Monitor, is obtained or leave is granted by this Court.

[12] **ORDERS** that, without limiting the generality of the foregoing and subject to Section 18.1 of the CCAA, if applicable, cash or cash equivalents placed on deposit by the Petitioners, the 18.6 Petitioners or the Partnerships with any Person during the Stay Period, whether in an operating account or otherwise for itself or for another entity, shall not be applied by such Person in reduction or repayment of amounts owing to such Person as of the date of this Order or due on or before the expiry of the Stay Period or in satisfaction of any interest or charges accruing in respect thereof; however, this provision shall not prevent any financial institution from: (i) reimbursing itself for the

amount of any cheques drawn by the Petitioners, the 18.6 Petitioners or the Partnerships and properly honoured by such institution, or (ii) holding the amount of any cheques or other instruments deposited into the Petitioners', the 18.6 Petitioners' or the Partnerships' account until those cheques or other instruments have been honoured by the financial institution on which they have been drawn.

[13] **ORDERS** that, notwithstanding the foregoing, any Person who provided any kind of letter of credit, bond or guarantee (the "**Issuing Party**") at the request of the Petitioners, the 18.6 Petitioners or the Partnerships shall be required to continue honouring any and all such letters, bonds and guarantees, issued on or before the date of this Order; however, the Issuing Party shall be entitled, where applicable, to retain the bills of lading or shipping or other documents relating thereto until paid therefore.

[14] **DECLARES** that, to the extent any rights, obligations, or time or limitation periods, including, without limitation, to file grievances, relating to the Petitioners, the 18.6 Petitioners or Partnerships or any of the Property may expire, other than the term of any lease of real property, the term of such rights or obligations, or time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period. Without limitation to the foregoing, in the event that the Petitioners, the 18.6 Petitioners or the Partnerships become bankrupt or a receiver within the meaning of paragraph 243(2) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") is appointed in respect of the Petitioners, the 18.6 Petitioners or the Partnerships, the period between the date of this Order and the day on which the Stay Period ends shall not be calculated in respect of the Petitioners, the 18.6 Petitioners or the Partnerships in determining the 30-day periods referred to in Sections 81.1 and 81.2 of the BIA.

[15] **ORDERS** that no Person may commence, proceed with or enforce any Proceedings against any former, present or future director or officer of the Petitioners, the 18.6 Petitioners, the Partnerships or any person that, by applicable legislation, is treated as a director of the Petitioners, the 18.6 Petitioners or the Partnerships, or that will manage in the future the business and affairs of the Petitioners, the 18.6 Petitioners or the Partnerships (each, a "**Director**", and collectively the "**Directors**") in respect of any claim against such Director that arose before this Order was issued and that relates to obligations of the Petitioners, the 18.6 Petitioners or the Partnerships for which such Director is or is alleged to be liable (as provided under Section 5.1 of the CCAA) until further order of this Court or until the Plan, if one is filed, is refused by the creditors or is not sanctioned by the Court.

[16] **ORDERS** that no Person shall commence, proceed with or enforce any Proceedings against any of the Directors, officers, employees, legal counsel or financial advisers of the Petitioners, the 18.6 Petitioners, the Partnerships, the Monitor, the BI DIP Lenders (as defined hereinafter) or the legal counsel or financial advisers to the Monitor or to the BI DIP Lenders, for or in respect of the Restructuring (as defined hereinafter) or the formulation and implementation of the Plan without first obtaining leave of this Court, upon seven days written notice to the Petitioners' and the

Partnerships' *ad litem* counsel and to all those referred to in this paragraph whom it is proposed be named in such Proceedings.

Possession of Property and Carrying on Business

[17] **ORDERS** that, subject to the terms of this Order, the Petitioners shall remain in possession of their Property until further order in these proceedings.

[18] **ORDERS** that the Petitioners and the Partnerships shall continue to carry on their business and financial affairs, including the business and affairs of any person, firm, joint venture or corporation owned by a Petitioner or in which a Petitioner owns an interest, in a manner consistent with the commercially reasonable preservation thereof.

[19] **ORDERS** that the Petitioners and Partnerships shall be authorized and empowered to continue to retain and employ the employees, consultants, individual self-employed contractors, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

[20] **ORDERS** that the Petitioners and the Partnerships shall be entitled to continue to utilize the existing centralized cash management systems currently in place as described in this Petition or, subject to the terms of the BI DIP Documents (as defined hereinafter), replace them with other substantially similar central cash management system(s) (together, the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Petitioners or the Partnerships of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person other than the Petitioners and the Partnerships, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System. The Monitor shall review and monitor the Cash Management System and report to this Court from time to time.

[21] **ORDERS** that the Petitioners and the Partnerships shall be entitled to pay the following expenses whether incurred prior to or after this Order:

- a) all outstanding and future wages, salaries, commissions, vacation pay, current pension contributions and other benefits, reimbursement of expenses (including, without limitation, amounts charged by employees to credit cards) and other amounts payable to former, current or future employees, officers or directors on or after the date of this Order, in each

case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

b) all outstanding and future amounts owing to or in respect of individuals working as independent contractors in connection with the Petitioners' business;

c) all outstanding amounts payable to third party customer brokers or agents on or after the date of this Order;

d) all outstanding amounts payable on or after the date of this Order in respect of (i) customer programs including, *inter alia*, rebates, adjustments, performance and volume discounts and (ii) billing errors, including duplicative invoicing, improper invoicing, duplicative payment, mispricing and various other billing and payment errors;

e) the fees and disbursements of any Assistants retained or employed by the Petitioners or the Partnerships in respect of these proceedings, at their standard rates and charges; and

f) the interest, fees and expenses payable under the Canadian Credit Agreement (as defined hereinafter).

[22] [Intentionally omitted]

[23] [Intentionally omitted]

[24] [Intentionally omitted]

[25] **ORDERS** that, except as otherwise provided to the contrary herein, the Petitioners and the Partnerships shall be entitled but not required to pay all reasonable expenses incurred by them in carrying on the business in the ordinary course from and after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

a) all expenses and capital expenditures reasonably necessary for the preservation of their Property or the business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

b) payment for goods or services actually supplied to the Petitioners or the Partnerships following the date of this Order.

[26] **ORDERS** that, except as otherwise provided to the contrary herein, the Petitioners and the Partnerships shall remit, in accordance with legal requirements, or pay:

- a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Québec Pension Plan, and (iv) income taxes;
- b) amounts accruing and payable by a Petitioner or a Partnership in respect of employment insurance, Canada Pension Plan, workers compensation, employer health taxes and similar obligations of any jurisdiction with respect to employees;
- c) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Petitioners or the Partnerships in connection with the sale of goods and services by the Petitioners or the Partnerships, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- d) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the business by the Petitioners or the Partnerships.

[27] **ORDERS** that, except as specifically permitted herein, the Petitioners and the Partnerships are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioners or Partnerships to any of their creditors as of this date unless such amounts have been approved by the Monitor; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the business.

[28] **ORDERS** that the Petitioners and the Partnerships are authorized to pay any pre-filing amounts outstanding and to complete any outstanding transactions and engage in new transactions with each other and with any of their respective affiliates and other entities, partnerships and joint ventures within and among the ABH Group (as defined hereinafter) in which they have a direct or indirect ownership interest (the Petitioners collectively with Abitibi-Bowater US Holding LLC, Bowater Newsprint South LLC and Bowater Incorporated and their respective subsidiaries are referred to herein as the "**ABH Group**") and the Petitioners and the Partnerships may, *inter alia*, continue on and after the date hereof to buy and sell goods and services and allocate, collect and pay costs, including without limitation head office expenses and shared goods and

services, from and to each other and from and to the other members of the ABH Group in the ordinary course of business on terms consistent with existing arrangements or past practice (including without limitation, pursuant to the Securitization Program Agreements (as defined hereinafter) and sales of inventory by ACI to ACSC (as defined hereinafter)).

Securitization Program

[29] **ORDERS** that the execution and delivery by ACI of the "Omnibus Amendment No. 5 to Amended and Restated Receivables Purchase Agreement and Amendment No. 3 to Amended and Restated Purchase and Contribution Agreement and Waiver Agreement", **Exhibit R-19** in support of the Petition, (the "**Waiver Agreement**") to:

a) a certain Amended and Restated Receivables Purchase Agreement, dated as of January 31, 2008 (as heretofore amended, the "**RPA**"), **Exhibit R-17** in support of the Petition, among Abitibi-Consolidated U.S. Funding Corp. ("**ACUSFC**" - a wholly-owned subsidiary of ACSC that is not a debtor in the U.S. Proceedings), Eureka Securitisation, plc ("**Eureka**"), Citibank, N.A. ("**Citibank**"), Citibank, N.A. London Branch (the "**Securitization Agent**"), ACI, in its capacity as Subservicer and an Originator, and Abitibi-Consolidated Sales Corporation ("**ACSC**", a debtor in the U.S. Proceedings), in its capacity as Servicer and an Originator, and

b) a certain Amended and Restated Purchase and Contribution Agreement, dated as of January 31, 2008 (as heretofore amended, the "**PCA**"), **Exhibit R-16** in support of the Petition, among ACI and ACSC as Sellers and ACUSFC as Purchaser (the terms "**Receivables**" and "**Related Security**" shall have the meanings attributed thereto in the PCA),

as well as all related documents and instruments executed or to be executed and delivered in connection therewith (as amended by the Waiver Agreement, collectively referred to as the "**Receivables Agreements**") are hereby ratified and approved.

[30] **ORDERS** that ACI is hereby authorized and empowered to perform or continue to perform its obligations, including the sale and servicing of Receivables and all Related Security, under the Receivables Agreements and under the following agreements to which it is a party, **Exhibit R-18** in support of the Petition:

- a) the Undertaking Agreement (Servicer) dated as of October 27, 2005 by ACI in favour of Eureka, Citibank and the other Banks (as defined in the RPA) that are party to the RPA, as amended;
- b) the Undertaking Agreement (Originator) dated as of October 27, 2005 by ACI in favour of ACI Funding, as amended;

- c) the Deposit Account Control Agreement dated as of January 31, 2008 among ACUSFC, ACI, ACSC, Citibank and the Securitization Agent;
- d) the Blocked Accounts Agreement dated as of October 27, 2005 among ACI, ACSC, the Securitization Agent, Royal Bank of Canada and ACUSFC;
- e) the Agreement Re: Pledged Deposit Accounts dated as of October 27, 2005 among ACSC, ACI, ACUSFC, the Securitization Agent and LaSalle Bank National Association;
- f) the Second Amended and Restated Four Party Agreement for Sold Accounts (General) dated as of January 31, 2008 among Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch, ACI, ACUSFC, the Securitization Agent and Citibank;
- g) the Intercompany Agreement dated as of December 20, 2007 between ACI and ACSC; and
- h) the Accounts Receivable Policy (Shipments) General Terms and Conditions, plus the Coverage Certificate effective September 1, 2008 (together with all schedules and endorsements thereto) issued by Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch to ACI;
(collectively with the Receivables Agreements, the "Securitization Program Agreements").

[31] **ORDERS** that ACI is hereby authorized and empowered to sell the relevant Receivables and Related Security to ACUSFC pursuant to and in accordance with the Securitization Program Agreements, and such sale shall be free and clear of any lien, claims, charges or encumbrances and other interests of any of ACI, ACSC, the Petitioners or their respective creditors, including any charges created pursuant to this Order.

[32] **DECLARES** that the transfers by ACI of its Receivables and Related Security to ACUSFC under the PCA shall constitute true sales under applicable non-bankruptcy law and are hereby deemed true sales and were or will be for fair consideration. Upon the transfer of the Receivables to ACUSFC, the Receivables and Related Security did (with respect to transfers occurring prior to the Effective Time as defined in the RPA) and will (with respect to transfers occurring on or after the date hereof) become the sole property of ACUSFC, and none of the Petitioners, nor any creditors of the Petitioners, shall retain any ownership rights, claims, liens or interests in or to the Receivables and

Related Security, or any proceeds therefrom including, without limitation, pursuant to any theory of substantive consolidation or otherwise.

[33] **DECLARES** that each Securitization Program Agreement constitutes a valid and binding obligation of ACI, enforceable against ACI in accordance with its terms and that the terms and conditions of the Securitization Program Agreements have been negotiated in good faith and at arm's length and the transfers made or to be made and the obligations incurred or to be incurred shall be deemed to have been made for fair or reasonably equivalent value and in good faith.

[34] **DECLARES** that upon the transfer by ACI pursuant to the Securitization Program Agreements neither the Receivables nor the Related Security, nor the proceeds thereof, shall constitute property of the patrimonies of any of the Petitioners or their affiliates, including notwithstanding any intentional or inadvertent deposit of any proceeds of the Receivables in bank accounts owned or controlled by any of the Petitioners or their affiliates.

[35] **DECLARES** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein; (ii) any bankruptcy application or bankruptcy motion filed pursuant to the BIA in respect of the Petitioners and any bankruptcy order or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners; (iii) proceedings taken by ACI under Chapter 15 of Title 11 of The United States Code ("**ACI's Chapter 15 Proceedings**"); or (iv) the provisions of any federal or provincial statute, the transfers of Receivables and Related Security made by ACI pursuant to the Securitization Program Agreements and this Order do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

[36] **DECLARES** that the performance by ACI, ACSC and ACUSFC of their respective obligations under the Securitization Program Agreements, and the consummation of the transactions contemplated by the Securitization Program Agreements, and the conduct by ACI, ACSC and ACUSFC of their respective businesses, whether occurring prior to or subsequent to the Effective Time, do not, and shall not, provide a basis for a substantive consolidation of the assets and liabilities of ACI and ACSC, or any of them, with the assets and liabilities of ACUSFC or a finding that the separate corporate identities of ACI, ACSC and ACUSFC may be ignored. Notwithstanding any other provision of this Order, the Agent, Citibank, Eureka and the other parties thereto have agreed to enter into the Securitization Program Agreements in express reliance on ACUSFC being a separate and distinct legal entity, with assets and liabilities separate and distinct from those of any of the Petitioners.

[37] **DECLARES** that the transfers of Receivables and Related Security by ACI pursuant to the Securitization Program Agreements and this Order shall be valid and enforceable as against all Persons, including, without limitation, any trustee in

bankruptcy, receiver, receiver and manager or interim receiver of the Petitioners, for all purposes.

[38] **DECLARES**, for greater certainty, that the Facility Termination Date and the Commitment Termination Date (as each is defined in the Receivables Agreements) have not occurred as a consequence of the commencement of these proceedings, the U.S. Proceedings, ACI's Chapter 15 Proceedings or the taking of corporate actions by ACI or ACSC to approve such proceedings, or the failure of ACI or ACSC to pay any debts that are otherwise stayed by any of the foregoing or the written admission by ACI or ACSC of its inability to pay such debts.

[39] **ORDERS AND DECLARES** that collections of Receivables and other funds which are subject to the Deposit Account Control Agreement dated as of January 31, 2008, the Agreement Re: Pledged Deposit Accounts dated as of October 27, 2005 and the Second Amended and Restated Four Party Agreement for Sold Accounts (General), dated as of January 31, 2008 referred to above, shall be processed and transferred pursuant to such deposit account agreements and each deposit bank party thereto is directed to comply therewith.

[40] **ORDERS** that ACI is hereby authorized and empowered to make, execute and deliver all instruments and documents and perform all other acts (including, without limitation, the perfection of ACUSFC's ownership interest in the Receivables) that may be required in connection with the Securitization Program Agreements and the transactions contemplated thereby; it being expressly contemplated that pursuant to the terms of the Securitization Program Agreements, ACI and ACSC shall be expressly authorized and empowered to service, administer and collect the Receivables on behalf of ACUSFC pursuant to the Securitization Program Agreements, and with respect to ACI, ACSC and ACUSFC, each shall be expressly authorized and empowered to make, execute and deliver all instruments and documents and perform all other acts that may be required in connection with the Securitization Program Agreements and the transactions contemplated thereby.

[41] **ORDERS** that ACI is hereby authorized and empowered to use the proceeds of the arrangements contemplated by the Securitization Program Agreements in the operation of the Petitioners' businesses, provided however, that the use of the proceeds are consistent with the terms of the Securitization Program Agreements, this Order or as may otherwise be agreed in writing by the Securitization Agent.

[42] **ORDERS AND DECLARES** that without limiting ACI's duty to comply with and fulfill any obligations under the Securitization Program Agreements, ACI shall perform and pay all indemnification and other obligations to the Securitization Agent, Eureka, Citibank and any other Indemnified Parties (as defined in the RPA) under the Securitization Program Agreements, all obligations to ACUSFC under the Securitization Program Agreements, and all of its obligations in respect of the Insurance Policy (as defined in the RPA).

[43] **ORDERS AND DECLARES** that, notwithstanding the terms of this Order, the parties to the Securitization Program Agreements other than ACI shall in that capacity be unaffected in these proceedings and by any plan of compromise or arrangement proposed by any of the Petitioners under the CCAA or by any proposal filed by any of the Petitioners under the BIA, and for greater certainty, paragraph 46(f) of this Order shall not apply to the Securitization Program Agreements.

[44] **DECLARES** that this Order shall not stay or otherwise apply to restrict in any way the exercise of any rights of any Person under any of the Securitization Program Agreements.

[45] **ORDERS AND DECLARES** that subject to further order of this Court, no order shall be made varying, rescinding, or otherwise affecting paragraph 28 hereof in respect of the Securitization Program, or inventory sales by ACI and the sale of inventory by ACI to ACSC and paragraphs 29 to 45 hereof or any other reference to the Securitization Program or the Securitization Program Agreements herein, unless either (a) notice of a motion for such order is served on the Securitization Agent and ACI by the moving party within seven (7) days after that party was provided with notice of this Order in accordance with paragraph 70(a) hereof or (b) the Securitization Agent and ACI apply for or consent to such order.

Restructuring

[46] **DECLARES** that, to facilitate the orderly restructuring of their business and financial affairs (the "**Restructuring**"), the Petitioners and Partnerships shall have the right, subject to approval of the Monitor or further order of the Court and to:

- a) permanently or temporarily cease, downsize or shut down any of their operations or locations as they deem appropriate and make provisions for the consequences thereof in the Plan;
- b) pursue all avenues to market and sell, subject to subparagraph (c), their Property, in whole or part;
- c) convey, transfer, assign, lease, or in any other manner dispose of their Property, in whole or in part, provided that the price in each case does not exceed \$10 million or \$50 million in the aggregate, and provided that Petitioners or Partnerships apply any proceeds thereof in accordance with the Interim Financing Documents (as defined hereinafter) and the Securitization Program Agreements;
- d) terminate the employment of such of their employees or temporarily or permanently lay off such of their employees as they deem appropriate and, to the extent any amounts in lieu of notice, termination or severance pay or other amounts in respect thereof are not paid in the ordinary

course, make provision for any consequences thereof in the Plan, as the Petitioners or Partnerships may determine;

- e) subject to paragraphs 48 and 49 hereof, vacate or abandon any leased real property or repudiate any lease and ancillary agreements related to any leased premises as they deem appropriate, provided that the Petitioners or Partnerships give the relevant landlord at least seven days prior written notice, on such terms as may be agreed between the Petitioners or Partnerships and such landlord, or failing such agreement, to make provision for any consequences thereof in the Plan; and
- f) repudiate such of their agreements, contracts or arrangements of any nature whatsoever, whether oral or written, as they deem appropriate, on such terms as may be agreed between the Petitioners or Partnerships and the relevant party, or failing such agreement, to make provision for the consequences thereof in the Plan and to negotiate any amended or new agreements or arrangements.

[47] **DECLARES** that, in order to facilitate the Restructuring, the Petitioners and Partnerships may, subject to approval of the Monitor:

- a) settle claims of customers and suppliers that are in dispute; and
- b) subject to further orders from this Court, establish a plan for the retention of key employees and the making of retention payments or bonuses in connection therewith.

[48] **DECLARES** that, if leased premises are vacated or abandoned by the Petitioners or Partnerships pursuant to subparagraph 46(e), the landlord may take possession of any such leased premises without waiver of, or prejudice to, any claims or rights of the landlord against the Petitioners or Partnerships, provided the landlord mitigates its damages, if any, and re-leases any such leased premises to third parties on such terms as any such landlord may determine.

[49] **ORDERS** that the Petitioners and Partnerships shall provide to any relevant landlord notice of the Petitioners' or Partnerships' intention to remove any fixtures or leasehold improvements at least seven days in advance. If the Petitioners or Partnerships have already vacated the leased premises, they shall not be considered to be in occupation of such location pending the resolution of any dispute.

[50] **DECLARES** that, pursuant to sub-paragraph 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c.5, the Petitioners and Partnerships are permitted, in the course of these proceedings, to disclose personal information of identifiable individuals in their possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to their advisers

(individually, a "Third Party"), but only to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction for that purpose, provided that the Persons to whom such personal information is disclosed enter into confidentiality agreements with the Petitioners or Partnerships binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information shall be returned to the Petitioners or Partnerships or destroyed. In the event that a Third Party acquires personal information as part of the Restructuring or the preparation and implementation of the Plan or a transaction in furtherance thereof, such Third Party may continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioners or Partnerships.

Directors' Indemnification and Charge

[511] **ORDERS** that, in addition to any existing indemnities, the Petitioners shall indemnify each of the Directors from and against the following (collectively, "**D&O Claims**"):

- a) all costs (including, without limitation, full defence costs), charges, expenses, claims, liabilities and obligations, of any nature whatsoever, which may arise on or after the date of this Order (including, without limitation, an amount paid to settle an action or a judgment in a civil, criminal, administrative or investigative action or proceeding to which a Director may be made a party), provided that any such liability relates to such Director in that capacity, and, provided that such Director (i) acted honestly and in good faith in the best interests of the Petitioners and Partnerships and (ii) in the case of a criminal or administrative action or proceeding in which such Director would be liable to a monetary penalty, such Director had reasonable grounds for believing his or her conduct was lawful, except if such Director has actively breached any fiduciary duties or has been grossly negligent or guilty of willful misconduct; and
- b) all costs, charges, expenses, claims, liabilities and obligations relating to the failure of the Petitioners or Partnerships to make any payments or to pay amounts in respect of employee or former employee entitlements to wages, vacation pay, termination pay, severance pay, pension or other benefits, or any other amount for services performed prior to or after the date of this Order and that such Directors sustain, by reason of their association with the Petitioners as a Director, except to the extent that they have actively breached any fiduciary duties or have been grossly negligent or guilty of willful misconduct.

The foregoing shall not constitute a contract of insurance or other valid and collectible insurance, as such term may be used in any existing policy of

insurance issued in favour of the Petitioners, the Partnerships or any of the Directors.

[52] **DECLARES** that, as security for the obligation of the Abitibi Petitioners to indemnify the Directors of the Abitibi Petitioners pursuant to paragraph 51 hereof, the Directors of the Abitibi Petitioners are hereby granted a hypothec on, mortgage of, lien on and security interest in the Property of the Abitibi Petitioners (other than the Property subject to the Securitization Program Agreements) to the extent of the aggregate amount of \$75 million (the "**Abitibi D&O Charge**"), having the priority established by paragraphs 89 and 91 hereof. Such Abitibi D&O Charge shall not constitute or form a trust. Such Abitibi D&O Charge, notwithstanding any language in any applicable policy of insurance to the contrary, shall only apply to the extent that the Directors of the Abitibi Petitioners do not have coverage under any directors' and officers' insurance, which shall not be excess insurance to the Abitibi D&O Charge. In respect of any D&O Claim against any of the Directors of the Abitibi Petitioners (collectively, the "**Abitibi Respondent Directors**"), if such Abitibi Respondent Directors do not receive confirmation from the applicable insurer within 21 days of delivery of notice of the D&O Claim to the applicable insurer, confirming that the applicable insurer will provide coverage for and indemnify the Abitibi Respondent Directors, then, without prejudice to the subrogation rights hereinafter referred to, the Abitibi Petitioners shall pay the amount of the D&O Claim upon expiry. Failing such payment, the Abitibi Respondent Directors may enforce the Abitibi D&O Charge provided that the Abitibi Respondent Directors shall reimburse the Abitibi Petitioners to the extent that they subsequently receive insurance benefits for the D&O Claim paid by the Abitibi Petitioners, and provided further that the Abitibi Petitioners shall, upon payment, be subrogated to the rights of the Abitibi Respondent Directors to recover payment from the applicable insurer as if no such payment had been made.

[53] **DECLARES** that, as security for the obligation of the Bowater Petitioners to indemnify the Directors of the Bowater Petitioners pursuant to paragraph 51 hereof, the Directors of the Bowater Petitioners are hereby granted a hypothec on, mortgage of, lien on and security interest in the Property of the Bowater Petitioners to the extent of the aggregate amount of \$25 million (the "**Bowater D&O Charge**"), having the priority established by paragraphs 90 and 91 hereof. Such Bowater D&O Charge shall not constitute or form a trust. Such Bowater D&O Charge, notwithstanding any language in any applicable policy of insurance to the contrary, shall only apply to the extent that the Directors of the Bowater Petitioners do not have coverage under any directors' and officers' insurance, which shall not be excess insurance to the Bowater D&O Charge. In respect of any D&O Claim against any of the Directors of the Bowater Petitioners (collectively, the "**Bowater Respondent Directors**"), if such Bowater Respondent Directors do not receive confirmation from the applicable insurer within 21 days of delivery of notice of the D&O Claim to the applicable insurer, confirming that the applicable insurer will provide coverage for and indemnify the Bowater Respondent Directors, then, without prejudice to the subrogation rights hereinafter referred to, and subject to the terms of the BI DIP Documents (as defined hereinafter), the Bowater

Petitioners shall pay the amount of the D&O Claim upon expiry. Failing such payment, the Bowater Respondent Directors may enforce the Bowater D&O Charge provided that the Bowater Respondent Directors shall reimburse the Bowater Petitioners to the extent that they subsequently receive insurance benefits for the D&O Claim paid by the Bowater Petitioners, and provided further that the Bowater Petitioners shall, upon payment, be subrogated to the rights of the Bowater Respondent Directors to recover payment from the applicable insurer as if no such payment had been made.

BCFPI DIP Financing

[54] **ORDERS** that the Bowater Petitioners are hereby authorized and empowered to enter into, obtain and borrow under credit facilities provided pursuant to a Senior Secured Superpriority Debtor in Possession Credit Agreement among Avenue Investments, L.P., as a lender, Fairfax Financial Holdings Limited ("**Fairfax**"), as a lender, the other lenders party thereto from time to time (collectively, the "**BI DIP Lenders**" and , Fairfax as Administrative Agent and Collateral Agent (the Administrative Agent and the Collateral Agent, collectively, the "**BI DIP Agent**") substantially in the form communicated as **Exhibit R-23** in support of the Petition (subject to such non-material amendments and modifications as the parties may agree with a copy thereof being provided in advance to the Monitor) (the "**BI DIP Credit Agreement**"), provided that borrowings under such credit facility shall not exceed the principal amount of US\$600 million unless permitted by further Order of this Court, and the BI DIP Credit Agreement is hereby approved.

[55] **ORDERS** that the Bowater Petitioners are hereby authorized and empowered to execute and deliver the BI DIP Credit Agreement and such commitment letters, fee letters, credit agreements, mortgages, charges, hypotheses and security documents, guarantees and other definitive documents (collectively, with the BI DIP Credit Agreement, the "**BI DIP Documents**"), as are contemplated by the BI DIP Credit Agreement or as may be reasonably required by the BI DIP Lenders or the BI DIP Agent pursuant to the terms thereof, and the Bowater Petitioners are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the BI DIP Lenders and the BI DIP Agent under and pursuant to the BI DIP Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

[56] **ORDERS** that all of the Property of the Bowater Petitioners is hereby charged by a movable or immovable hypothec, mortgage, lien and security interest to the extent of the aggregate amount of US\$600 million (such hypothec, mortgage, lien and security interest, together with any other hypothec, mortgage, lien or security interest created or contemplated by the DIP Documents, the "**BI DIP Lenders Charge**") in favour of the BI DIP Agent, in its capacity as Collateral Agent, for and on behalf of the Secured Parties (as defined in the BI DIP Credit Agreement) (collectively, the "**BI DIP Secured Parties**") as security for all obligations of the Bowater Petitioners to the BI DIP Secured Parties with respect to all amounts owing, including principal, interest and the BI DIP Lenders

Expenses (as defined hereinafter) and all obligations required to be performed under or in connection with the BI DIP Documents. The BI DIP Lenders Charge shall have the priority established by paragraphs 90 and 91 hereof.

[57] **ORDERS** that, notwithstanding any other provision of this Order, the Bowater Petitioners shall pay to the BI DIP Agent and the BI DIP Lenders when due all amounts owing (including principal, interest, fees and expenses, including without limitation, all fees and disbursements of counsel and all other advisers to or agents of the BI DIP Agent and the BI DIP Lenders on a full indemnity basis (the "**BI DIP Lenders Expenses**") under the BI DIP Documents and shall perform all of their other obligations to the BI DIP Agent and to the BI DIP Lenders pursuant to the BI DIP Documents and this Order.

[58] **ORDERS** that the claims of the BI DIP Agent and the BI DIP Lenders pursuant to the BI DIP Documents shall not be compromised or arranged pursuant to the Plan or these proceedings and the BI DIP Agent and the BI DIP Lenders, in that capacity, shall be treated as unaffected creditors in these proceedings and in any Plan or any proposal filed by a Bowater Petitioner under the BIA.

[59] **ORDERS** that the BI DIP Agent and the BI DIP Lenders may:

- a) notwithstanding any other provision of this Order, take such steps from time to time as they may deem necessary or appropriate to register, record or perfect the BI DIP Lenders Charge and the BI DIP Documents in all jurisdictions where they deem it is appropriate; and
- b) notwithstanding the terms of paragraphs 10 and 11 hereof, upon the occurrence of an Event of Default (as defined in the BI DIP Documents), refuse to make any advance to the Bowater Petitioners and terminate, reduce or restrict any further commitment to the Bowater Petitioners to the extent any such commitment remains, set off or consolidate any amounts owing by the BI DIP Agent or by the BI DIP Lenders to the Bowater Petitioners against the obligations of the Bowater Petitioners to the BI DIP Agent and the BI DIP Lenders under the BI DIP Documents or the BI DIP Lenders Charge, make demand, accelerate payment or give other similar notices, and the foregoing rights and remedies of the BI DIP Lenders under this paragraph shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Bowater Petitioners or the Property of the Bowater Petitioners, the whole in accordance with and to the extent provided in the BI DIP Documents.

[60] **ORDERS** that the BI DIP Lenders shall not take any enforcement steps under the BI DIP Documents or the BI DIP Lenders Charge without providing a five (5) business days (the "**Notice Period**") written enforcement notice of a default thereunder to the Bowater Petitioners, the Monitor and to creditors requesting a copy of such notice. Upon expiry of such Notice Period, and notwithstanding any stay of proceedings

provided herein, the BI DIP Agent and the BI DIP Lenders shall be entitled to take any and all steps and exercise all rights and remedies provided for under the BI DIP Documents and the BI DIP Lenders Charge and otherwise permitted at law, the whole in accordance with applicable provincial laws, but without having to send any notices under Section 244 of the BIA.

[61] **ORDERS** that, subject to further order of this Court, no order shall be made varying, rescinding, or otherwise affecting paragraphs 54 to 61 hereof, the approval of the BI DIP Documents or the BI DIP Lenders Charge unless either (a) notice of a motion for such order is served on the Petitioners, the Monitor, the BI DIP Agent and the BI DIP Lenders by the moving party and returnable within seven (7) days after that party was provided with notice of this Order in accordance with paragraph 70(a) hereof or (b) the BI DIP Agent and the BI DIP Lenders apply for or consent to such order.

Inter-Company Advances

[62] **ORDERS** that any Abitibi Petitioner is authorized to borrow, repay and reborrow (such party being an "**ACI Inter-Company Borrower**") from any member of the ABH Group (such party being an "**ACI Inter-Company Lender**"), such amounts from time to time as it may consider necessary or desirable on a revolving basis (the "**ACI Inter-Company Advances**") pursuant to a promissory note issued in favour of the ACI Inter-Company Lender as evidence thereof, to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order.

[63] **ORDERS** that all of the Property of an ACI Inter-Company Borrower (other than the Property subject to the Securitization Program Agreements) is hereby charged by a lien, mortgage and security interest (the "**ACI Inter-Company Advances Charge**") in favour of the ACI Inter-Company Lender as security for the obligations of the ACI Inter-Company Borrower to the ACI Inter-Company Lender with respect to the ACI Inter-Company Advances made to it. The ACI Inter-Company Advances Charge shall have the priority established by paragraphs 89 and 91 hereof.

[64] **ORDERS** that the claims of the ACI Inter-Company Lender pursuant to the ACI Inter-Company Advances shall not be compromised or arranged pursuant to the Plan or these proceedings, but unless otherwise ordered, the exercise of any remedies by the ACI Inter-Company Lender in respect thereof under the ACI Inter-Company Advances Charge shall be subject to the stay provided for in this Order.

[65] **ORDERS** that, subject to the terms of the BI DIP Documents, any Bowater Petitioner is authorized to borrow, repay and reborrow (such party being a "**BI Inter-Company Borrower**") from any member of the ABH Group (such party being a "**BI Inter-Company Lender**"), such amounts from time to time as it may consider necessary or desirable on a revolving basis (the "**BI Inter-Company Advances**") pursuant to a promissory note issued in favour of the BI Inter-Company Lender as

evidence thereof, to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order.

[66] **ORDERS** that all of the Property of an BI Inter-Company Borrower is hereby charged by a lien, mortgage and security interest the ("**BI Inter-Company Advances Charge**") in favour of the BI Inter-Company Lender as security for the obligations of the BI Inter-Company Borrower to the BI Inter-Company Lender with respect to the BI Inter-Company Advances made to it. The BI Inter-Company Advances Charge shall have the priority established by paragraphs 90 and 91 hereof.

[67] **ORDERS** that the claims of the BI Inter-Company Lender pursuant to the BI Inter-Company Advances shall not be compromised or arranged pursuant to the Plan or these proceedings, but unless otherwise ordered, the exercise of any remedies by the BI Inter-Company Lender in respect thereof under the BI Inter-Company Advances Charge shall be subject to the stay provided for in this Order.

Bowater Adequate Protection Charge

[68] **ORDERS** that all of the Property of the Bowater Petitioners is hereby charged by a lien, mortgage and security interest the ("**Bowater Adequate Protection Charge**") as security for the diminution in the value of the BI Bank Syndicate Security (as defined below), if any, subsequent to April 16, 2009 by sale, lease or use of the BI Bank Syndicate Security. The Bowater Adequate Protection Charge shall have the priority established by paragraphs 90 and 91 hereof.

[69] **ORDERS** that the obligations secured and the Property affected by the Bowater Adequate Protection Charge shall be subject to approval of such charge in the U.S. Proceedings and, in the event a lesser charge is approved or a lesser obligation is secured, the Bowater Adequate Protection Charge shall be reduced *pro tanto*. The exercise of any remedies under the Bowater Adequate Protection Charge shall be subject to the stay provided for in this Order.

Powers of the Monitor

[70] **ORDERS** that Ernst & Young Inc. is hereby appointed to monitor the business and financial affairs of the Petitioners and Partnerships as an officer of this Court and that the Monitor shall, in addition to the duties and functions referred to in Section 11.7 of the CCAA:

- a) give notice of this Order, within 10 days, to every known creditor of the Petitioners having a claim of more than \$5,000.00 against it, advising that such creditor may obtain a copy of this Order on the internet at the website of the Monitor (the "**Website**") or, failing that, from the Monitor and the Monitor shall, upon request, so provide it. Such notice shall be deemed sufficient in accordance with Subsection 11(5) of the CCAA;

- b) review and monitor the receipts and disbursements of the Petitioners and Partnerships including without limitation the intercompany transactions referred to in paragraphs 28 and 62 to 67 of this Order;
- c) assist the Petitioners, to the extent required by the Petitioners and Partnerships, in dealing with their creditors and other interested Persons during the Stay Period;
- d) assist the Petitioners, to the extent required by the Petitioners and Partnerships, with the preparation of their cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;
- e) advise and assist the Petitioners, to the extent required by the Petitioners and Partnerships, to review the Petitioners' and Partnerships' business and assess opportunities for cost reduction, revenue enhancement and operating efficiencies;
- f) assist the Petitioners, to the extent required by the Petitioners and Partnerships, with the Restructuring and in their negotiations with their creditors and other interested Persons and with the holding and administering of any meetings held to consider the Plan;
- g) report to the Court on the state of the business and financial affairs of the Petitioners and Partnerships or developments in these proceedings or any related proceedings within the time limits set forth in the CCAA and at such time as considered appropriate by the Monitor or as the Court may order;
- h) report to this Court and interested parties, including but not limited to creditors affected by the Plan, with respect to the Monitor's assessment of, and recommendations with respect to, the Plan;
- i) retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of this Order, including, without limitation, one or more entities related to or affiliated with the Monitor;
- j) engage legal counsel to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its obligations in these proceedings and any related proceedings, under this Order or under the CCAA;
- k) may act as a foreign representative of the Petitioners in any proceedings outside of Canada;

- l) may give any consents or approvals as are contemplated by this Order; and
- m) perform such other duties as are required by this Order, the CCAA or this Court from time to time.

The Monitor shall not otherwise interfere with the business and financial affairs carried on by the Petitioners and Partnerships, and the Monitor is not empowered to take possession of the Property nor to manage any of the business and financial affairs of the Petitioners and Partnerships.

[71] **ORDERS** that the Petitioners and their directors, officers, employees and agents, accountants, auditors and all other Persons having notice of this Order shall forthwith provide the Monitor with unrestricted access to all of the Property, including, without limitation, the premises, books, records, data, including data in electronic form, and all other documents of the Petitioners and Partnerships in connection with the Monitor's duties and responsibilities hereunder.

[72] **DECLARES** that the Monitor may provide creditors and other relevant stakeholders of the Petitioners with information in response to requests made by them in writing addressed to the Monitor and copied to the Petitioners' counsel. The Monitor shall not have any duties or liabilities in respect of such information disseminated by it pursuant to the provisions of this Order or the CCAA, other than as provided in paragraph 74 hereof. In the case of information that the Monitor has been advised by the Petitioners, the BI DIP Agent or the BI DIP Lenders is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Petitioners, the BI DIP Agent and the BI DIP Lenders unless otherwise directed by this Court.

[73] **DECLARES** that the Monitor shall not be, nor be deemed to be, an employer or a successor employer of the employees of the Petitioners and Partnerships or a related employer in respect of the Petitioners and Partnerships within the meaning of any federal, provincial or municipal legislation governing employment, labour relations, pay equity, employment equity, human rights, health and safety or pensions or any other statute, regulation or rule of law or equity for any similar purpose and, further, that the Monitor shall not be, nor be deemed to be, in occupation, possession, charge, management or control of the Property or business and financial affairs of the Petitioners pursuant to any federal, provincial or municipal legislation, statute, regulation or rule of law or equity which imposes liability on the basis of such status, including, without limitation, the *Environment Quality Act* (Québec), the *Canadian Environmental Protection Act, 1999* or the *Act Respecting Occupational Health and Safety* (Québec) or similar other federal or provincial legislation.

[74] **DECLARES** that, in addition to the rights and protections afforded to the Monitor by the CCAA, this Order or its status as an officer of the Court, the Monitor shall not

incur any liability or obligation as a result of its appointment and the fulfillment of its duties or the provisions of this Order, save and except any liability or obligation arising from a breach of its duties to act honestly, in good faith and with due diligence, and no action or other proceedings shall be commenced against the Monitor relating to its appointment, its conduct as Monitor or the carrying out the provisions of any order of this Court, except with prior leave of this Court, on at least seven days notice to the Monitor and its counsel.

[75] **ORDERS** that the Petitioners shall pay the fees and disbursements of the Monitor, the Monitor's legal counsel, the Petitioners' legal counsel and other advisers, incurred in connection with or with respect to the Restructuring, whether incurred before or after this Order, and shall provide each with a reasonable retainer in advance on account of such fees and disbursements, if so requested.

[76] **DECLARES** that the Monitor, the Monitor's legal counsel, the Abitibi Petitioners' legal counsel and other advisers, as security for the professional fees and disbursements incurred both before and after the making of this Order by the Abitibi Petitioners in respect of these proceedings, the Plan and the Restructuring, in addition to the retainers referred to paragraph 75 hereof, be entitled to the benefit of and are hereby granted a hypothec on, mortgage of, lien on, and security interest in the Property of the Abitibi Petitioners (other than the Property subject to the Securitization Program Agreements) to the extent of the aggregate amount of \$6 million (the "**Abitibi Administration Charge**"), having the priority established by paragraphs 89 and 91 hereof.

[77] **DECLARES** that the Monitor, the Monitor's legal counsel, the Bowater Petitioners' legal counsel and other advisers, as security for the professional fees and disbursements incurred both before and after the making of this Order by the Bowater Petitioners in respect of these proceedings, the Plan and the Restructuring, in addition to the retainers referred to paragraph 75 hereof, be entitled to the benefit of and are hereby granted a hypothec on, mortgage of, lien on, and security interest in the Property of the Bowater Petitioners to the extent of the aggregate amount of \$2 million (the "**Bowater Administration Charge**"), having the priority established by paragraphs 90 and 91 hereof.

Appointment of Information Officer in Respect of U.S. Proceedings

[78] **ORDERS** that, in respect of the U.S. Proceedings of the 18.6 Petitioners, Ernst & Young Inc. is hereby appointed as an information officer with the powers and obligations set out herein (the "**Information Officer**").

[79] **ORDERS** that the Information Officer shall report to this Court at such times and intervals as the Information Officer deems appropriate and, in any event, shall deliver a report to this Court at least once every two months outlining the status of the U.S. Proceedings of the 18.6 Petitioners, and such other information as the Information

Officer believes to be material with copies of such reports provided to the BI DIP Agent and the BI DIP Lenders and report to the BI DIP Lenders on such additional issues related thereto upon the request of the BI DIP Agent and the BI DIP Lenders or their counsel.

[80] **ORDERS** that, in addition to the rights and protections afforded to the Information Officer as an officer of this Court, the Information Officer shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except from a failure to act in good faith and to take reasonable care. Nothing in this Order shall derogate from the protections afforded to the Information Officer by the CCAA or any applicable legislation.

[81] **ORDERS** that the Information Officer shall provide any creditor of the 18.6 Petitioners located in Canada with information provided by the 18.6 Petitioners in response to reasonable requests for information made in writing by such creditor addressed to the Information Officer. The Information Officer shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Information Officer has been advised by the 18.6 Petitioners is confidential, the Information Officer shall not provide such information to creditors unless as otherwise directed by this Court or on such terms as the Information Officer and the 18.6 Petitioners may agree upon.

[82] **ORDERS** that the Information Officer shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the business of the 18.6 Petitioners and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the business or Property of the 18.6 Petitioners, or any part thereof. For greater certainty, the Information Officer shall not employ any employee of the 18.6 Petitioners;

[83] **ORDERS** that nothing herein contained shall require the Information Officer to occupy or to take control, care, charge, possession or management of any of the Property of the 18.6 Petitioners that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Environment Quality Act* (Quebec), the *Canadian Environmental Protection Act*, 1999 or similar other federal or provincial legislation and regulations under such legislation (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Information Officer from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Information Officer shall not, as a result of this Order or anything done in pursuance of the Information Officer's duties and powers under this Order, be deemed to be in possession of any of the Property of the 18.6 Petitioners within the meaning of any Environmental Legislation, unless it is actually in possession of such property.

- [84] [Intentionally omitted]
- [85] [Intentionally omitted]
- [86] [Intentionally omitted]
- [87] [Intentionally omitted]
- [88] [Intentionally omitted]

Priorities and General Provisions Relating to CCAA Charges

[89] **DECLARES** that the priorities of the Abitibi Administration Charge, Abitibi D&O Charge, ACI Inter-Company Advances Charge and any charge granted by this Court to secure a DIP financing of the Abitibi Petitioners (collectively, the "**Abitibi CCAA Charges**"), as between them with respect to any Property of the Abitibi Petitioners to which they apply, shall be as follows:

- a) first, the Abitibi Administration Charge;
- b) second, the Abitibi D&O Charge, up to a maximum of \$22.5 million (the "**Abitibi D&O First Tranche**");
- c) third, any charge securing a DIP financing of the Abitibi Petitioners authorized by further order of this Court and subject to the conditions the Court may then see fit;
- d) fourth, the ACI Inter-Company Advances Charge; and
- e) fifth, the Abitibi D&O Charge in respect of the balance of amounts, if any, secured thereby (the "**Abitibi D&O Second Tranche**").

[90] **DECLARES** that the priorities of the Bowater Administration Charge, Bowater D&O Charge, BI DIP Lenders Charge, Bowater Adequate Protection Charge and BI Inter-Company Advances Charge (collectively, the "**Bowater CCAA Charges**"), as between them with respect to any Property of the Bowater Petitioners to which they apply, shall be as follows:

- a) first, the Bowater Administration Charge;
- b) second, the Bowater D&O Charge, up to a maximum of \$7.5 million (the "**Bowater D&O First Tranche**");
- c) third, the BI DIP Lenders Charge;
- d) fourth, the Bowater Adequate Protection Charge;

- e) fifth, the BI Inter-Company Advances Charge; and
- f) sixth, the Bowater D&O Charge in respect of the balance of amounts, if any, secured thereby (the "**Bowater D&O Second Tranche**").

[91] **DECLARES** that the Abitibi CCAA Charges and the Bowater CCAA Charges (collectively, the "**CCAA Charges**") shall rank in priority to any and all other hypotheses, mortgagees, liens, trusts, security, priorities, conditional sale agreements, financial leases, charges, encumbrances or security of whatever nature or kind (collectively, "**Encumbrances**") affecting the Property of the Petitioners, other than:

- a) in the case of the BI DIP Lenders Charge, the Bowater Adequate Protection Charge, the BI Inter-Company Advances Charge and the Bowater D&O Second Tranche, valid and perfected Encumbrances in respect of principal and interest, affecting the Property of the Bowater Petitioners and currently held pursuant to the Credit Agreement dated as of May 31, 2006, as amended and restated (the "**Canadian Credit Agreement**") or supplemented, among BCFPI, as borrower, the lenders named thereto and the Bank of Nova Scotia, as administrative agent (the "**BI Bank Syndicate Security**"), which BI Bank Syndicate Security shall rank in priority to the BI DIP Lenders Charge, the Bowater Adequate Protection Charge, the BI Inter-Company Advances Charge and the Bowater D&O Second Tranche; and

- b) in the case of the ACI Inter-Company Advances Charge and the Abitibi D&O Second Tranche above:

- a. valid and perfected Encumbrances in respect of principal and interest affecting the Property of the Abitibi Petitioners and currently held pursuant to the Credit and Guaranty Agreement dated as of April 1, 2008 among, *inter alia*, ACI, as borrower, Abitibi-Consolidated Company of Canada ("**ACCC**") as guarantor, the Lenders party thereto and Goldman Sachs Credit Partners L.P. as administrative agent (the "**ACI Bank Security**"); and
- b. valid and perfected Encumbrances in respect of principal and interest, affecting the Property of the Abitibi Petitioners and currently held pursuant to the US\$413 million 13.75% Senior Secured Notes due April 1, 2011 (the "**Senior Notes Security**");

which ACI Bank Security and Senior Notes Security shall rank in priority to the ACI Inter-Company Advances Charge and the Abitibi D&O Second Tranche.

[92] **ORDERS** that nothing in this Order shall affect any determination of (i) the validity or perfection of the BI Bank Syndicate Security, the ACI Bank Security or the Senior Notes Security, (ii) whether such security is opposable to third parties, or (iii) whether such security is avoidable under applicable Canadian or United States laws.

[93] **ORDERS** that, except as otherwise expressly provided for herein, the Petitioners shall not grant any Encumbrances in or against any Property that rank in priority to, or *pari passu* with, any of the CCAA Charges unless the Petitioners obtain the prior written consent of the Monitor and in the case of the Bowater Petitioners, the prior consent of the BI DIP Agent, the BI DIP Lenders and the prior approval of the Court.

[94] **DECLARES** that each of the CCAA Charges shall attach, as of the Effective Time of this Order, to all present and future Property of the Abitibi Petitioners (other than the Property subject to the Securitization Program Agreements) or the Bowater Petitioners, as the case may be, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent.

[95] **DECLARES** that the CCAA Charges and the rights and remedies of the beneficiaries of such Charges, as applicable, shall be valid and enforceable and shall not otherwise be limited or impaired in any way by: (i) these proceedings and the declaration of insolvency made herein; (ii) any application for a bankruptcy order filed pursuant to the BIA in respect of the Petitioners or any bankruptcy order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners; (iii) proceedings taken by any of the Petitioners under Chapter 11 of Title 11 of The United States Code; or (iv) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any agreement, lease, sub-lease, offer to lease or other arrangement which binds the Petitioners (a "**Third Party Agreement**"), and notwithstanding any provision to the contrary in any Third Party Agreement:

- a) the creation of any of the CCAA Charges shall not create or be deemed to constitute a breach, by the Petitioners, of any Third Party Agreement to which they are a party; and
- b) any beneficiary of the CCAA Charges shall not be held liable against any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the CCAA Charges.

[96] **DECLARES** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein, (ii) any petition for a bankruptcy order filed pursuant to the BIA in respect of the Petitioners and any bankruptcy order allowing such petition or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners; (iii) proceedings taken by any of the Petitioners under Chapter 11 of Title 11 of The United States Code; or (iv) the provisions of any federal or provincial statute, the payments or disposition of Property made by the Petitioners pursuant to this Order and

the granting of the CCAA Charges, do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

[97] **DECLARES** that the CCAA Charges shall be valid and enforceable as against all Property of the Abitibi Petitioners (other than the Property subject to the Securitization Program Agreements) or of the Bowater Petitioners as the case may be and against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Petitioners, for all purposes.

General

[98] **DECLARES** that this Order and any proceeding or affidavit leading to this Order, shall not, in and of themselves, constitute a default or failure to comply, by the Petitioners, under any statute, regulation, license, permit, contract, permission, covenant, agreement, undertaking or other written document or requirement.

[99] **DECLARES** that, except as otherwise specified herein, the Petitioners are at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective given addresses as last shown on the records of the Petitioners and that any such service shall be deemed to be received on the date of delivery (if by personal delivery or electronic transmission), on the following business day (if delivered by courier), or three business days after mailing (if by ordinary mail).

[100] **DECLARES** that the Petitioners may serve any Court materials in these proceedings on all represented parties electronically, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that the Petitioners shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter.

[101] **DECLARES** that any party in these proceedings, other than the Petitioners, may serve any Court materials electronically, by emailing a PDF or other electronic copy of all materials to counsels' email addresses, provided that such party shall deliver both PDF or other electronic copies and "hard copies" of all materials to counsel to the Petitioners and the Monitor and to any other party requesting same.

[102] **DECLARES** that, unless otherwise provided herein or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings, unless such Person has served a Notice of Appearance on the solicitors for the Petitioners and the Monitor and has filed such notice with this Court.

[103] **DECLARES** that the Petitioners or the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and

rights hereunder or in respect of the proper execution of this Order on notice only to each other.

[104] **DECLARES** that any interested Person may apply to this Court to vary or rescind this Order or seek other relief upon seven days notice to the Petitioners, the Monitor, the BI DIP Agent, the BI DIP Lenders and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

Effect, Recognition and Assistance

[105] **DECLARES** that this Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.

[106] **REQUESTS** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian Federal Court or administrative body and any federal or State Court or administrative body in the United States of America including, without limitation, the U.S. Bankruptcy Court, and other nations and states to give effect to this Order and to assist the Petitioners, the Monitor and their respective agents in carrying out the terms of this Order and any other Order in these proceedings. All Courts or administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioners and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to ACI and/or the Monitor in any foreign proceedings and to assist the Petitioners and the Monitor and their respective agents in carrying out the terms of this Order and any other Order in these proceedings, including, without limitation, recognizing the Petitioners' CCAA proceedings as a foreign main proceeding under applicable law.

[107] **DECLARES** that each of the Petitioners and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and any other Order granted by this Court including, without limitation, applications under Chapter 15 of the U.S. Bankruptcy Code in respect of ACI and ACCC, and to recognize or give effect to or otherwise further the Restructuring.

[108] **DECLARES** that for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada and in particular in the U.S. Bankruptcy Court in respect of proceedings commenced under Chapter 15 of the U.S. Bankruptcy Code and any ancillary relief in respect thereto, ACI shall be appointed as and is hereby authorized and directed to act as the foreign representative of the Petitioners and to seek such aid and recognition.

[109] **DECLARES** that for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada, the Petitioners'

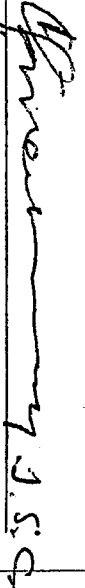
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centre of main interest (COMI) is ACI's principal executive offices situated at 1155 Metcalfe Street, in the city and district of Montréal, Province of Québec.

[110] **ORDERS** the provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security.

[111] **THE WHOLE WITHOUT COSTS.**


CLEMENT GASCON, J.S.C.

Me Sean F. Dunphy, Me Guy P. Martel and Me Marc Barbeau
Stikeman, Elliott
Attorneys for Petitioners

Date of hearing: April 17, 2009

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.

SCHEDULE "B"
BOWATER PETITIONERS

1. BOWATER CANADIAN HOLDINGS INC.
2. BOWATER CANADA FINANCE CORPORATION
3. BOWATER CANADIAN LIMITED
4. 323379 NOVA SCOTIA COMPANY
ABITIBOWATER CANADA INC.
5. BOWATER CANADA TREASURY CORPORATION
6. BOWATER CANADIAN FOREST PRODUCTS INC.
7. BOWATER SHELBURNE CORPORATION
8. BOWATER LAHAVE CORPORATION
9. ST-MAURICE RIVER DRIVE COMPANY LIMITED
10. BOWATER TREATED WOOD INC.
11. CANEXEL HARDBOARD INC.
12. 9068-9050 QUÉBEC INC.
13. ALLIANCE FOREST PRODUCTS (2001) INC.
14. BOWATER BELLEDUNE SAWMILL INC.
15. BOWATER MARITIMES INC.
16. BOWATER MITIS INC.
17. BOWATER GUÉRETTE INC.
18. BOWATER COUTURIER INC.
- 19.

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

CANADA

SUPERIOR COURT

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.:

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:**

ABITIBBOWATER INC., a legal person incorporated
under the laws of the State of Delaware, having its
principal executive offices at 1155 Metcalfe Street, in the
City and District of Montréal, Province of Quebec, H3B
5H2;

And

ABITIBI-CONSOLIDATED INC., a legal person
incorporated under the laws of Canada, having its principal
executive offices at 1155 Metcalfe Street, in the City and
District of Montréal, Province of Quebec, H3B 5H2;

And

BOWATER CANADIAN HOLDINGS INC., a legal
person incorporated under the laws of the Province of
Nova Scotia, having its principal executive offices at
1155 Metcalfe Street, in the City and District of Montréal,
Province of Quebec, H3B 5H2;

And

the other Petitioners listed on Appendices "A", "B" and
"D";

Petitioners

And

ERNST & YOUNG INC., a legal person under the laws
of Canada, having a place of business at 800 René-
Lévesque Blvd. West, Suite 2000, in the City and District
of Montréal, Province of Quebec, H3B 1X9;

Monitor

TAB 15

REPORT OF ERNST & YOUNG INC.

April 16, 2009

INTRODUCTION

1. Ernst & Young Inc. (the "**Proposed Monitor**") understands that Abitibi-Consolidated Inc. ("**ACI**") and its subsidiaries listed in Appendix "A" hereto (collectively with ACI, the "**Abitibi Petitioners**") and Bowater Canadian Holdings Incorporated ("**BCHI**") and its subsidiaries listed in Appendix "B" hereto (collectively with BCHI, the "**Bowater Petitioners**") have jointly brought a petition before this Honourable Court seeking, among other things, commencement of proceedings under the *Companies' Creditors Arrangement Act* ("**CCAA**") in order to restructure the business and affairs of the Abitibi Petitioners and the Bowater Petitioners (collectively, the "**Petitioners**").
2. The Petitioners are all subsidiaries of AbitibiBowater Inc. ("**ABH**", collectively with its subsidiaries, the "**ABH Group**").
3. ACI is a direct and indirect wholly-owned subsidiary of ABH. ABH wholly owns Bowater Inc. ("**BI**"). BI, in turn, wholly owns BCHI which, in turn, indirectly owns Bowater Canadian Forest Products Inc. ("**BCFPI**"). BCFPI carries on the main Canadian operations of BI.
4. Abitibi-Consolidated Company of Canada ("**ACCC**"), a wholly-owned subsidiary of ACI, and BCFPI hold the majority of ABH's Canadian assets and operations.
5. As described further herein, ABH, BI and certain of their direct and indirect U.S. and Canadian subsidiaries, including BCHI and BCFPI (collectively, the "**U.S. Debtors**") have prepared applications for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code ("**Chapter 11**"). Attached as Appendix "C" hereto is a list of the U.S. Debtors.
6. ABH and the petitioners listed on Appendix "D" hereto (collectively with ABH, the "**18.6 Petitioners**") are petitioners in these proceedings for the purpose of obtaining Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11.
7. ACI and ACCC have also prepared petitions for recognition under Chapter 15 of the United States Bankruptcy Code.
8. In addition, while the partnerships listed in Appendix "E" hereto (the "**Partnerships**") are not petitioners in these CCAA proceedings, the Proposed Monitor understands that the Petitioners and the 18.6 Petitioners are seeking to have the stay of proceedings extended to the Partnerships as they form an integral part of the business of the Petitioners.

9. This is the report (the “**Report**”) of the Proposed Monitor in the Petitioners’ CCAA proceedings. The Proposed Monitor has consented to act as Monitor in these CCAA proceedings.
10. The purpose of this Report is to provide this Honourable Court with information on:
 - ABH Group’s background and financial structure;
 - ABH Group’s current liquidity crisis;
 - ABH Group’s decision to commence formal insolvency proceedings;
 - an overview of ACI’s and BCFPI’s short term cash flow forecasts, ACI’s proposed continued use of its accounts receivable Securitization Program and BCFPI’s proposed debtor-in-possession (“**DIP**”) financing;
 - selected financial matters addressed in the proposed CCAA Initial Order (the “**Initial Order**”);
 - restructuring options; and
 - the Proposed Monitor’s conclusions and recommendations.

TERMS OF REFERENCE

11. In preparing this Report, the Proposed Monitor has been provided with and, in making comments herein, has relied upon unaudited financial information, the ABH Group’s books and records, financial information and projections prepared by the ABH Group and discussions with management of the ABH Group (the “**Management**”). The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance in respect of such information contained in this Report. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants (“**CICA**”) Handbook, has not been performed. Future-oriented financial information referred to in this Report was prepared by the ABH Group based on Management’s estimates and assumptions. Readers are cautioned that, since these projections are based upon assumptions about future events and conditions, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.
13. Capitalized terms not defined in this Report are as defined in the Petition for the Issuance of the Initial Order (the “**Petition**”) filed by the Petitioners in connection with these CCAA proceedings.
14. The Proposed Monitor was retained by the ABH Group on March 12, 2009 to assist the Petitioners and their professional advisors in analyzing options available to refinance and

restructure their operations. The Proposed Monitor has not yet had an opportunity to fully analyze the business and operations of the ABH Group.

15. The Proposed Monitor does not act as auditor to any of the entities within the ABH Group.

GENERAL BACKGROUND

16. In October 2007, two of North America's largest organizations in the forest and wood products industry, ACI and BI, merged to create ABH.

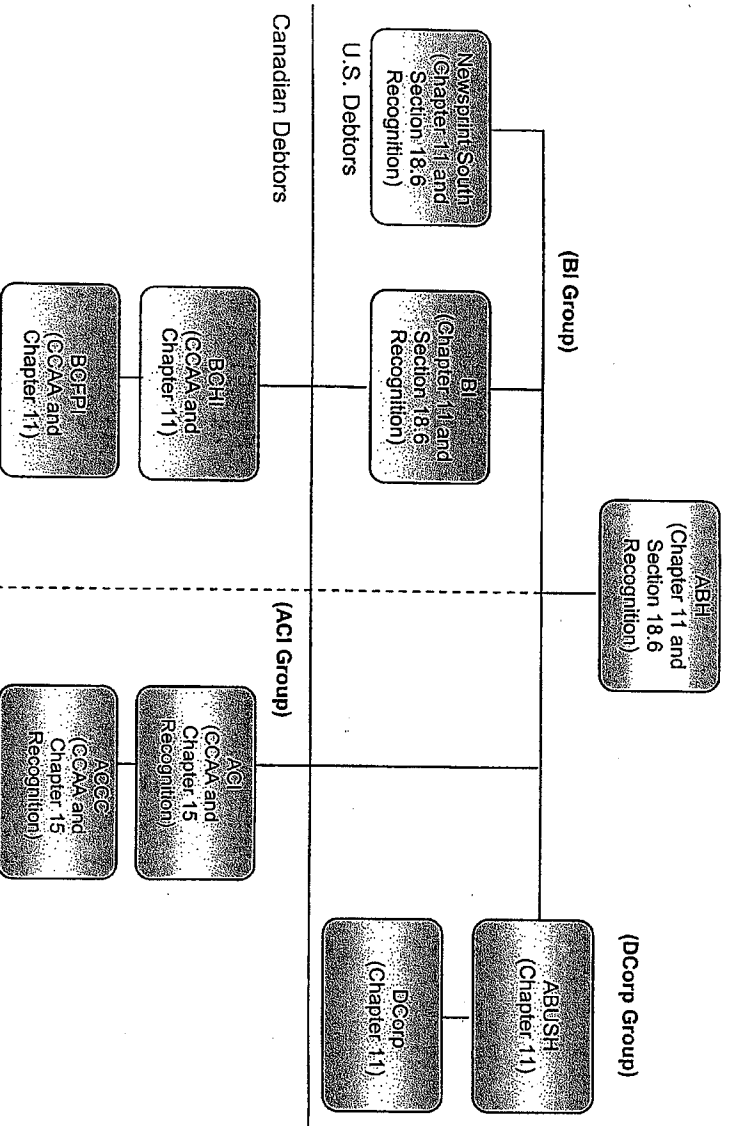
17. ABH is one of the world's largest publicly traded paper and forest product companies. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. As at December 31, 2008, the ABH Group employed approximately 15,800 people, approximately 11,300 of which work in ACI's and BI's Canadian operations. The ABH Group owns interests in or operates 35 pulp and paper mills, 24 sawmills (others have been permanently closed), 5 wood products facilities and 32 recycling facilities located in Canada, the United States, the United Kingdom and South Korea.

18. The ABH Group is also among the world's largest recyclers of newspapers and magazines and has more third-party certified sustainable forest land than any other company in the world. It also operates a number of power generation facilities.

19. ABH's annual revenue was approximately \$6.8 billion for the 12 month period ending December 31, 2008.

20. Incorporated in Delaware and headquartered in Montreal, Quebec, ABH functions as a holding company and its business is conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC ("Newsprint South") (BI, Newsprint South and their respective subsidiaries are collectively referred to as the "BI Group"), ACI (ACI and its subsidiaries are collectively referred to as the "ACI Group"), and AbitibiBowater US Holding LLC ("ABUSH") (ABUSH and its respective subsidiaries, collectively referred to as the "DCorp Group").

21. A summarized version of the ABH organization chart, which highlights the corporate structure of ABH and also indicates which entities are petitioners in these CCAA proceedings and which entities are filing for relief under the Chapter 11 proceedings, is as follows:



The ACI Group

22. ACI wholly owns ACCC which holds the primary Canadian assets and operations of the ACI Group. The ACI Group owns interests in or operates 14 pulp and paper mills, 17 sawmills (others have been permanently closed), 5 wood products facilities and 12 recycling facilities in Canada and the United Kingdom.
23. The ACI Group holds equity interests in various companies. For example, ACCC has a 75% interest in ACH Limited Partnership (“ACH”) which holds a number of hydro-electricity assets in Ontario. ACCC also holds a 60% interest in Mamicouagan Power Company (“MPCo”) which owns a large hydroelectricity facility in Quebec. ACCC also holds indirect interests in other businesses.
24. ACI also holds an equity interest in Donohue Malbaie Inc., which owns and operates one of the paper machines at one of the ACI Group’s newsprint mills.
25. Bridgewater Paper Company Limited (“Bridgewater”) is a wholly owned subsidiary of ACCC and owns a pulp and paper mill facility in the United Kingdom. Bridgewater and its subsidiaries act as a selling vehicle for European sales for the ACI Group and the DCorp Group.
26. The ACI Group corporate structure also consists of a number of holding, finance, special purpose, non-operating and sales entities.

The DCorp Group

27. Donohue Corp. (“**DCorp**”) is a wholly owned subsidiary of ABUSH and directly or indirectly owns operating assets located in the United States. DCorp directly owns Abitibi Consolidated Corporation which operates recycling facilities in the United States. DCorp also owns Abitibi-Consolidated Sales Corporation (“**ACSC**”), which acts as the selling vehicle for sales of the ACI Group in the United States. ACSC holds an equity interest in the Augusta Newsprint Company (“**Augusta**”), which owns a pulp and paper mill and indirectly owns the Alabama River Newsprint Company (“**ARNC**”). ARNC owns an idled pulp and paper mill.
28. The ACI Group’s and the DCorp Group’s cash management systems and their accounts receivable are managed in an integrated manner, as described more fully later in this Report. Moreover, DCorp and certain of its subsidiaries have guaranteed certain indebtedness of the ACI Group. Accordingly, the two groups are referred to in this Report on a combined basis as the “**ACI & DCorp Parties**”.

The BI Group

29. Newsprint South and its subsidiaries, and BI and certain of its subsidiaries, hold the primary U.S. assets and operations of ABH. BI also indirectly holds an equity interest in Bowater Mersey Paper Company Limited (“**Mersey**”), the Ponderay Newsprint Company (“**Ponderay**”) and the Calhoun Newsprint Company (“**Calhoun**”). Mersey, Ponderay and Calhoun are non-filing entities.
30. Mersey owns a sawmill, a pulp and paper facility and woodlands located in Nova Scotia.
31. Ponderay owns and operates a paper mill in Usk, Washington. Calhoun owns certain assets located at BI’s Calhoun operations.
32. BCFPI, which is a wholly owned subsidiary of BI, holds the primary Canadian assets and operations of the BI Group. BCFPI also indirectly owns smaller operations and Bowater-Korea Ltd. (“**Bowater Korea**”), which owns a mill in South Korea.
33. The balance of the BI Group’s corporate structure primarily consists of a combination of holding, finance, special purpose, non-operating and sales entities in both the CCAA and Chapter 11 proceedings.
34. In summary, the BI Group owns interests in or operates 19 pulp and paper mills and 7 sawmills (others have been permanently closed) of which 5 pulp and paper mills and 4 sawmills (others have been permanently closed) are operated by BCFPI in Canada.

FINANCIAL STRUCTURE

35. The financial structure of the ABH Group is summarized below.

ABH

36. ABH issued \$350 million of 8% senior unsecured convertible notes due April 15, 2013 that are guaranteed by BI.

The ACI Group

Term Loan

37. ACCC is a party to a 364-day senior secured term loan due March 30, 2009 (the "Term Loan Facility") with Goldman Sachs Credit Partners L.P. as administrative agent (the "Term Loan Agent"), the current outstanding principal balance of which is approximately \$347 million. The Term Loan Facility is secured primarily by the personal (moveable) property (including accounts receivable and inventory) of ACCC, ACI and other guarantors, and by a first lien (charge) on substantially all of the personal (moveable) property of DCorp and its subsidiaries (including accounts receivable, inventory and equipment), the pledge of the stock or other equity interest of certain subsidiaries of DCorp and by the real estate relating to the mill owned by ARNC.

38. On a monthly basis, ACCC files a borrowing base certificate with the Term Loan Agent. The Proposed Monitor has reviewed the borrowing base certificate issued by ACCC to the Term Loan Agent for the month of February, 2009. As summarized in the schedule below, the February borrowing base estimate indicates a collateral value of \$471 million for inventory and accounts receivable. This reflects a surplus collateral value of \$124 million when compared to the outstanding loan balance of \$347 million.

	\$US (Millions)
Amount outstanding under the Term Loan Facility	<u>\$346.9</u>
<i>Collateral calculation:</i>	
Net eligible accounts receivable	
• Net eligible accounts receivable including equity value in Securitization Program	\$291.0
• Advance rate	<u>85%</u> 247.4
Net eligible inventory	
• Net eligible inventory	319.0
• Advance rate	<u>70%</u> 223.3
Total collateral per borrowing base certificate	<u>470.7</u>
Collateral value amount less amount outstanding	<u>\$123.8</u>

39. In addition to the accounts receivable and inventory collateral included in the borrowing base certificate, the Term Loan Facility also has the following additional security with respect to the DCorp Group:
- the indirect pledge of the equity interest (52.5%) in Augusta which is a 423,000 metric ton ("MT") newsprint mill that sells 100% of its product to ACCS at arm's length market determined rates;
 - the currently idled Alabama River newsprint and recycling facility with a capacity of 265 000 MT;
 - a guarantee from the Abitibi-Consolidated Corporation which owns a closed 384,000 MT pulp and paper facility in Lufkin, Texas; and
 - a guarantee from DCorp.

Senior Notes

40. ACCC is also an issuer of \$413 million in 13.75% senior secured notes due April 1, 2011 (the "Senior Notes"). Wells Fargo Bank, National Association is the indenture trustee.
41. As at March 31, 2009, approximately \$413 million was outstanding in respect of the Senior Notes with accrued interest thereon of approximately \$18 million.
42. The Senior Notes are guaranteed by several affiliates, including ACI and DCorp and certain of their subsidiaries, and are secured by mortgages on certain pulp and paper mills owned by ACCC and security interests in and pledges of certain other assets of ACCC and its subsidiaries that are guarantors.
43. The Senior Notes are secured by ACCC's 60% interest in Manicouagan Power Company ("MPCo") which owns a 335 MW hydroelectric facility. ABH made a public announcement on March 13, 2009 that it signed a non-binding agreement in principle with Hydro Quebec for the sale of the facility for gross proceeds of CDN \$615 million. It is expected that ACCC's net proceeds from the sale will be approximately \$390 million. ACCC is continuing negotiations in connection with the MPCo sale.
44. The Senior Notes are also secured by ACCC's 75% equity interest in ACH which owns eight hydroelectric facilities located in Ontario. On December 22, 2008, ABH announced that it had accepted a proposal to sell its equity interest in ACH to a major unaffiliated industrial energy producer. The resulting gross proceeds (excluding expenses) to ACI is projected to be approximately CDN \$197.5 million. As part of the transaction, the buyer would also assume CDN \$250 million of ACH debt. The proposal is non-binding and is subject to due diligence, among other terms and conditions. While it is expected that a definitive agreement may be reached in the second quarter of 2009, no assurances can be provided as to when or if a definitive agreement will be executed.

45. In addition to the hydro assets, the Senior Notes are secured by the fixed assets of the following pulp and paper facilities of ACCC and its subsidiaries with a net book value of approximately \$1.4 billion:

Mill	Capacity 2009 (000s Metric Tons)	2008 Consolidated Production (000s Metric Tonnes)				Net Book Value (\$Millions)
		Newsprint	Specialty Paper	Market Pulp	Total	
Alma	357	-	343	0	343	\$270
Amos	209	199	-	-	199	39
Bate Comeau	574	545	-	-	545	138
Beaupre	241	-	218	-	218	68
Bridgewater	235	212	-	-	212	44
Clermont	353	349	-	-	349	40
Fort Frances	393	-	268	96	364	257
Iroquois Falls	276	225	35	-	260	167
Kenogami	211	-	207	-	207	122
Laurentide	360	-	327	-	327	150
Thorold	414	378	-	-	378	76
Totals	3,623	1,908	1,398	96	3,402	\$1,371

46. The Senior Notes are also secured by liens on substantially all of the equipment of ACCC and its subsidiaries that are guarantors.

Unsecured Notes

47. ACCC is obligated under various unsecured notes with an aggregate principal amount outstanding of \$1.493 billion.
48. ACI is obligated under various additional unsecured notes with an aggregate principal amount outstanding of \$1.445 billion.

Securitization Program

49. ACI and ACSC participate in a securitization program (the "Securitization Program") to help fund the working capital requirements of the ACI & DCoP Parties. This program is more fully described later in this Report but, essentially, the Securitization Program involves selling receivables generated by the operations of ACCC and the operating businesses of the DCoP Group to a securitization vehicle in order to generate liquidity. The Securitization Program is for an aggregate principal amount of approximately \$210 million, which amount is limited by the outstanding balance of the eligible receivables net of reserves. The Securitization Program has been amended as described in greater detail in this Report.

The BI Group

50. BI is a party to a five-year \$381 million revolving credit facility (the “**BI Revolving Credit Facility**”) with several lenders and Wachovia Bank, National Association as administrative agent with a scheduled maturity date of May 25, 2011. It is guaranteed by ABH, Newsprint South and certain wholly owned subsidiaries of Newsprint South and BI. It is secured by inventory, accounts receivable and deposits of BI, Newsprint South and the subsidiaries referred to above, as well as pledges of stock of certain subsidiaries. As at March 31, 2009, approximately \$203.7 million was outstanding under this facility, excluding accrued interest.
51. BCFPI is a party to a 364-day credit agreement (the “**BCFPI Revolving Credit Facility**”) with several lenders and The Bank of Nova Scotia as administrative agent which provides for a \$129.7 million revolving credit facility with a maturity date of June 5, 2009, subject to annual extensions. It is guaranteed by BI and certain subsidiaries, Newsprint South and its subsidiaries and certain subsidiaries of BCFPI. It is secured by inventory, accounts receivable and deposit accounts of BCFPI and liens on substantially all of the Canadian fixed assets and the shares of Bowater Korea. As at March 31, 2009, approximately \$61.1 million was outstanding under the BCFPI Revolving Credit Facility, excluding accrued interest and letters of credit issued in the amount of approximately \$27 million.
52. BI is obligated under various unsecured notes with an aggregate principal amount outstanding of \$1.207 billion.
53. Newsprint South is a borrower under a certain unsecured creditor agreement for a principal amount of \$8.5 million of which \$4 million was outstanding as of September 30, 2008.
54. On February 5, 2009, BCFPI entered into a loan agreement with Fairfax Financial Holdings Limited as lender for advances of up to an aggregate principal amount of \$30 million. The loan is guaranteed by ABH and certain BI direct and indirect subsidiaries.
55. BCFPI is obligated under various unsecured notes with an aggregate principal amount outstanding of \$225 million. Bowater Canada Finance Corporation, a subsidiary of BI, is obligated under various unsecured notes with an aggregate principal amount outstanding of \$600 million.
56. The Proposed Monitor has not yet completed a review of the credit facilities or security of the ABH Group. The Proposed Monitor has based its Report on the assumption that all such agreements are valid and enforceable in accordance with their terms.

ABH HISTORICAL FINANCIAL RESULTS

57. The following is a summary of the financial results for ABH (consolidated), ACL, BI (including BCFPI) and BCFPI (unconsolidated) for the nine-month period ending September 30, 2008 (which is the latest period in respect of which ABH issued quarterly financial statements):

	(\$ Millions)			
	ABH (Consolidated)	ACI (Consolidated)	BI (Consolidated)	BCFPI (Unconsolidated)
Sales*	5,154	2,584	2,524	916
Operating Income (Loss)*	(371)	(677)	(91)	(352)
Interest*	(519)	(281)	(154)	(30)
Net Income*	(801)	(1,060)	(294)	(385)

*The figures included in the above table are from publicly filed documents posted on SEDAR and EDGAR.

58. As summarized in the above table, ABH, ACI, BI and BCFPI have all incurred substantial losses in the nine-month period ending September 30, 2008.

EMPLOYEES

59. As indicated previously in this Report, as at December 31, 2008, ABH employed approximately 15,800 active employees, of which approximately 11,300 work in Canada. Approximately 9,000 of these employees are covered by collective bargaining agreements and the remaining employees are non-unionized. Many of these employees work in certain communities where the ACI or BCFPI mill is the dominant employer.

The ACI Group

60. The ACI Group has approximately 9,000 employees of which approximately 8,700 work in Canada. The ACI Group maintains 20 registered pension plans for the Canadian employees. The pension plans consist of defined benefit plans, defined contribution plans and some that operate on a hybrid basis. As at December 31, 2008, the aggregate solvency deficit of the defined plans (including the hybrid plans as applicable) was estimated to be approximately \$964 million.
61. The ACI Group maintains supplemental pension plans ("SERPs") for certain of its Canadian salaried staff and also funds post-retirement benefits for its employees ("OPEBs"). Certain SERPs are secured by a letter of credit, while others are not. The ACI Group's aggregate contributions to the Canadian OPEBs and SERPs during the fiscal year ended December 31, 2008 totalled approximately CDN \$9.2 million and CDN \$5.8 million, respectively.
62. Due to its liquidity constraints, the ACI Group intends to suspend the remittance of special payments in respect of past service for all current and former employees to the defined benefit Canadian pension plans and the SERPs during these CCAA proceedings.

The BI Group

63. The BI Group has approximately 6,000 employees of which approximately 2,600 work in Canada. The BI Group maintains 13 registered pension plans for Canadian employees. The pension plans consist of defined benefit plans, defined contribution plans and some operate on a hybrid basis. As at December 31, 2008, the aggregate solvency deficit of the defined benefit plans (including the hybrid plans as applicable) was estimated to be approximately CDN \$419 million.
64. The BI Group also maintains SERPs for certain of its Canadian and U.S. salaried staff and also funds OPEBs for its employees. The BI Group's aggregate contributions to the OPEBs and SERPs during the fiscal year ended December 31, 2008 totalled approximately CDN \$19 million and CDN \$25.9 million, respectively.
65. Similar to the ACI Group, the BI Group intends to suspend the remittance of special payments in respect of past service for all current and former employees to the defined benefit BI Canadian pension plans and the SERPs during these CCAA proceedings.

Severance Payments

66. On March 27, 2009, ACCC closed its pulp and paper mill in Grand Falls, Newfoundland. As a result, several hundred employees were terminated from their employment. On April 2, 2009, ACCC paid out \$4.8 million to the former employees on account of vacation pay and outstanding wages. Severance amounts owing to the former employees total approximately \$28 million.
67. The ACI Group and the BI Group intend to suspend severance payments for the time being, but expect to review this issue once adequate DIP financing is available and to seek further direction from the Court.

ABH's CURRENT LIQUIDITY CRISIS

68. ACI and ACCC have significant debt maturities over the next year consisting of:
- \$347 million Term Loan Facility that became due March 30, 2009;
 - \$210 million under the Securitization Program was previously scheduled to terminate in September 2009; and
 - \$8 million 7.875% notes due August 1, 2009.
69. BI and BCFPI have significant debt maturities over the next year consisting of:
- BCFPI's Revolving Credit Facility that will expire on June 5, 2009; and
 - BI has approximately \$251.8 million of 9% notes due August 1, 2009.
70. The Proposed Monitor is advised by ABH that trade payables for the ACI Group and the BI Group are in excess of \$141 million and \$40 million, respectively, and each is experiencing

pressure from a number of its suppliers that have demanded cash or significantly shortened payment terms.

71. Each of the ACI Group, the DCorp Group and the BI Group is experiencing significant liquidity constraints. Each of these groups has experienced an even further deterioration in business conditions in January and February 2009 with significant price and volume pressures that have negatively impacted operating results.

72. The Securitization Program, which is the ACI & DCorp Parties' main liquidity funding source, was reduced from a \$350 million facility as of December 31, 2008 to \$210 million as of March 31, 2009, pursuant to a waiver with Citibank N.A., the Agent of the Securitization Program (the "Securitization Agent"), further impacting the liquidity positions of the ACI & DCorp Parties.

73. As of April 10, 2009, ACI had \$34.8 million of cash on hand. A further \$29.1 million was held in a Securitization Program lockbox.

74. As of April 10, 2009, BI had \$25.8 million of cash on hand and minimal liquidity available under the BI Revolving Credit Facility.

75. As of April 10, 2009, BCFPI had \$3.2 million of cash on hand and minimal liquidity available under the BCFPI Revolving Credit Facility.

76. ABH continues to face significant economic challenges as a result of the declining long term demand for newsprint, the continued decline for coated mechanical papers primarily due to sharp declines in advertising, the decrease in global demand for pulp primarily from offshore markets and depressed lumber prices and demand due to the dramatic slowdown in the construction of new homes in the U.S. market.

77. As a result, the ACI Group, the DCorp Group and the BI Group do not have sufficient liquidity from operations to meet their significant near term debt maturity obligations and to pay their obligations generally as they come due. The ABH Group has become insolvent.

Recapitalization Plan

78. In order to address the debt maturities and to raise additional liquidity, ABH made a number of public announcements in February and March, 2009 that each of the BI Group and the ACI Group were undertaking separate comprehensive refinancing plans to address the financial needs of each group.

The BI Group

79. In February 2009, ABH announced that BI and its subsidiaries were commencing a recapitalization plan (the "BI Exchange Offers"). Key elements of the BI Exchange Offers included:

- an exchange offering to certain of the BI Group unsecured note holders to exchange certain outstanding series of unsecured notes for Second Lien Notes and Third Lien Notes. Concurrently with the exchange offering, eligible holders of the existing notes

were offered the opportunity to subscribe for new 15.5% First Lien Notes. Eligible holders had the right but not the obligation to subscribe for First Lien Notes;

- the exchange offer was conditional upon, among other things, tenders greater than 97% in aggregate principal amount of certain classes of existing notes and greater than 50% in aggregate principal amount of certain other classes of existing notes; and
- a note purchase agreement was also entered into with an institutional investor to purchase \$80 million of First Lien Notes.

The ACI Group

80. In March 2009, ABH announced that ACI and its subsidiaries were commencing a recapitalization plan through reorganization under the *Canada Business Corporations Act* (“CBCA”) (the “ACI CBCA Arrangement”). Key elements of the ACI CBCA Arrangement included:

- the conversion of \$2.9 billion of eligible unsecured notes issued by ACI into approximately \$321 million of 12.5% First Lien Notes and approximately \$810 million of 11% Second Lien Notes, the issuance of 86.7 million shares of ABH common stock and the issuance of an aggregate of approximately 230.7 million warrants;
- a concurrent offering (the “Concurrent Offering”) to raise approximately \$350 million of new liquidity through the issuance of First Lien Notes and warrants. Certain investors provided binding commitments to subscribe for \$150 million of the Concurrent Offering;
- the repayment in full of the Senior Notes; and
- the partial repayment of the Term Loan Facility.

81. On March 13, 2009, the Commercial Division of the Superior Court of Quebec in Montreal granted an interim order (the “Interim Order”) under the CBCA in connection with the ACI CBCA Arrangement, including calling meetings of the affected noteholders and lenders on April 30, 2009. The Interim Order also provided a stay of proceedings in favour of ACI and certain of its subsidiaries to provide ACI with the opportunity to present the ACI CBCA Arrangement to its affected creditors and for the Court to consider whether it would be approved at a hearing scheduled for May 5, 2009.

82. The ACI CBCA Arrangement was conditional upon, among other things:

- the completion of the sale of ACCC’s 60% interest in MPCo (for which ACCC announced on March 13, 2009 its acceptance of a non-binding proposal from Hydro-Quebec which was expected to result in gross sale proceeds of C\$615 million);
- the completion of the previously announced BI Exchange Offers;

- the closing of the Concurrent Offering resulting in gross proceeds of \$350 million for ACI; and
 - final Court approval.
83. If approved by the Court, implementation of the ACI CBCA Arrangement was expected to occur in early May, 2009.
84. However, on April 1, 2009 ABH announced that the BI Exchange Offers had expired without obtaining the required support and were terminated. ABH also announced that it was evaluating new restructuring alternatives for BI and was in discussions with its lenders and debtholders.
85. While the BI Exchange Offers were one of the critical conditions of the ACI CBCA Arrangement, ABH announced it intended to continue the ACI recapitalization under the ACI CBCA Arrangement and to amend such CBCA process as necessary to take into account any developments in the BI financing.
86. ABH has advised the Proposed Monitor that a BI refinancing can no longer be pursued within the time frame originally contemplated by the ACI CBCA Arrangement.

ABH'S DECISION TO COMMENCE INSOLVENCY PROCEEDINGS

87. Due to the impending debt maturities and the Petitioners' liquidity crisis, the Petitioners have prepared a joint petition for protection under CCAA. An application for a Chapter 15 Recognition Order will also be made to the U.S. Bankruptcy Court for ACI and ACCC.
88. In addition, most of the U.S. operating subsidiaries of ABH, as well as certain Canadian subsidiaries of BI, are seeking relief under Chapter 11.

THE CASH MANAGEMENT SYSTEM

89. The ABH Group's treasury department administers a centralized cash management system (the "CMS") to support the business operations of the ABH Group. The CMS is administered separately for each of the BI Group and the ACI & DCorp Parties. The CMS is the vehicle for the transfer of funds among the various entities within each corporate group across various jurisdictional lines including Canada, the United States and Europe.
90. Funds are collected in separate concentration accounts from various deposit accounts in Canada, the United States and Europe. Funds are then transferred to various disbursement and payroll accounts to pay ongoing business expenses as required.
91. The ABH Group also uses the CMS to support the significant Intercompany Transactions (as defined below) among the ABH Group entities, which are described in greater detail below. Intercompany notes and agreements govern the intercompany relationships among the entities.

92. A detailed description of the CMS is set forth in the Petition. The Proposed Monitor has reviewed the CMS with the Petitioners and believes that it will be able to monitor and report on the cash flow activities of the ABH Group.

93. ABH has advised the Proposed Monitor that the CMS has been used continuously by the business and that the interrelationship among the ABH's Group's entities and the scope and breadth of their operations require the continued use of the CMS.

INTERCOMPANY ADVANCES

94. As described above, there are significant intercompany transactions between and among each of the ABH Group entities (the "Intercompany Transactions") which are recorded in general ledger accounts and, at any given time, there are outstanding receivable and payable claims made in the ordinary course between the ABH Group entities (the "Intercompany Claims").

95. A detailed description of the Intercompany Transactions is set forth in the Petition.

96. Some examples of the more significant Intercompany Transactions between the ABH Group entities include:

(a) Sales by ABH's Canadian operations to other entities: (1) ACCC sells product to ACI which in turn sells product to (i) ACSC (for sales to U.S. domiciled customers), (ii) Bridgewater (for sales to European domiciled customers), or (iii) customers directly (for Canadian domiciled customers and international non-European domiciled customers), and (2) BCFPI sells its products to Bowater America Inc. ("BAI") in respect of all sales, excluding lumber, to U.S. customers. This flow of inventory and intercompany receivables and payables is tracked through the intercompany accounts.

(b) Procurement of certain products and services such as (i) freight charges for the BI Group which are paid for by the ACI Group, (ii) the cost of the ABH Group's U.S. sales force which is paid by the BI Group and (iii) certain corporate charges are billed centrally and allocated to the various entities. Amounts are settled on a periodic basis depending on the nature of the charges.

(c) Bridgewater acts as the selling vehicle for the ACI Group's European sales. Bridgewater purchases inventory from ACI and sells it to third-party customers. Bridgewater pays ACI for the purchased inventory upon collecting the accounts receivable from third party customers. However, Bridgewater also operates a pulp and paper mill and recycling facilities that are currently cash flow negative and Bridgewater retains a portion of the collections from the third party customers to fund its cash flow deficiencies.

(d) The DCorp Group operates a recycling program in the U.S. as well as two pulp and paper mills that are currently idled. Through the CMS, ACI transfers funds to cover the costs of idling the two mills and any cash requirements for the recycling program.

97. The Intercompany Transactions and the resulting Intercompany Claims are significant. The Petitioners are seeking approval to complete any outstanding transactions and authorization to continue to transact in the normal course with entities within the ABH Group during the CCAA proceedings.

98. As mentioned above, the Petitioners maintain records of the Intercompany Transactions and have advised that they can ascertain, trace and account for Intercompany Transactions between and among the Petitioners and the U.S. Debtors and any subsidiaries and affiliates, through the use of intercompany agreements and notes.

99. To ensure that each individual Petitioner and U.S. Debtor will not fund, at the expense of its stakeholders, the operations of another entity, the Petitioners have advised the Proposed Monitor that they are seeking the granting of the secured charges described in the Petition (the “**Intercompany Charges**”). The Intercompany Charges will secure the post-filing Intercompany Claims arising from the Intercompany Transactions in Canada. In addition, the Petitioners have advised the Proposed Monitor that the U.S. Debtors are seeking the approval of the U.S. Bankruptcy Court to accord administrative expense status to post-petition Intercompany Claims against a U.S. Debtor arising from an Intercompany Transaction after the effective time of the Initial Order in the CCAA proceedings or the filing of the U.S. proceedings.

THE SECURITIZATION PROGRAM – THE ACI & DCORP PARTIES

100. In order to reduce its working capital requirements, ACI and ACSC participate in the Securitization Program with respect to receivables generated from sales to customers. As described previously in this Report, ACI is a member of the ACI Group and a Petitioner in these CCAA proceedings. ACSC is a member of the DCorp Group and is one of the U.S. Debtors in the Chapter 11 proceedings.

101. Historically, DCorp was a subsidiary of ACCC, however, on April 1, 2008, DCorp became a wholly owned subsidiary of ABUSH.

102. As stated previously in this Report, ACCC carries on the main operations in Canada within the ACI Group and sells its products to ACI which in turn sells the products to either:

- (i) Canadian domiciled customers or to certain international domiciled customers (non-European);
- (ii) ACSC (which then sells the products to U.S. domiciled customers); or
- (iii) Bridgewater (which sells the products to European domiciled customers).

103. ARNC, which owns an idled mill in the DCorp Group, and Augusta, which is a joint venture that operates a newsprint mill, also sell their products to ACSC, which sells the products to end customers.

104. Pursuant to the Securitization Program, when accounts receivable are generated from sales to third parties, the third party receivables are then sold by ACI and ACSC to Abitibi-Consolidated U.S. Funding Corp. (“**ACUSFC**”), a DCorp Group special purpose vehicle.

- ACUSFC then sells the receivables to a special purpose vehicle funded by the Securitization Agent, which immediately pays ACUSFC for such receivables. ACI acts as a servicing agent and administers the collection of the receivables sold pursuant to the Securitization Program. Collections of accounts receivable are directed to various lockbox accounts controlled by the Securitization Agent.
105. ACI prepares a daily accounts receivable pool calculation that computes an eligible receivable pool after deducting various ineligible receivable amounts and reserves. If the balance of the accounts receivable pool ("Base Amount") is less than the purchases made under the Securitization Program ("Purchase Balance"), then cash deposits from accounts receivable collections are paid to the Securitization Agent until the Purchase Balance is equal to the Base Amount. If the Base Amount is greater than the Purchase Balance, then cash deposits are paid to ACCC or ACI until the Purchase Balance is equal to the lesser of the Base Amount or the contractual limit of \$210 million under the Securitization Program.
106. ACI informs the Securitization Agent, which controls the deposits in the lockboxes as described above, to either reduce the Purchase Balance or forward the cash deposits to ACI as appropriate.
107. It is anticipated that the Securitization Program will continue under the CCAA proceedings. In anticipation of the filing of these CCAA proceedings and the Chapter 11 proceedings, ACI, ACSC and ACUSFC executed Amendment No. 5 to the Securitization Program agreement (the "Waiver") with the Securitization Agent. The Waiver sets out the terms and conditions pursuant to which the Securitization Agreement will continue to operate subsequent to the issuance of the Initial Order and the filing of the Chapter 11 proceedings. The terms of the Waiver include:
- until the later date of i) the issuance of the Initial Order and ii) the date that the U.S. Bankruptcy Court enters an Interim Order with respect to the Chapter 11 proceedings, the Securitization Agent will have no obligation to purchase accounts receivable under the Securitization Program or release accounts receivable collections to ACSC; and
 - ACUSFC agrees to continue to purchase receivables in accordance with the Securitization Program until the Securitization Program is terminated, being no later than 45 days following the issuance of the Initial Order and the filing of the Chapter 11 proceedings.
108. In respect of the previously executed Amendment No. 4 to the Securitization Program, ACUSFC agreed to pay to the Securitization Agent a non-refundable structuring fee (the "Structuring Fee") in the amount of \$12.6 million which was to be paid in four equal instalments of \$3.15 million. As of the date of this Report, ACUSFC had paid the first instalment to the Securitization Agent. The balance of the Structuring Fee in the amount of \$9.45 million will be paid to the Securitization Agent after the issuance of the proposed Initial Order. The Proposed Monitor has been advised by Management that, with the exception of the payment of the balance of the Structuring Fee, there are no additional fees payable to the Securitization Agent in respect of the Waiver.

109. ACI, with the assistance of its financial advisor, BMO Nesbitt Burns Inc. (“**BMO Capital Markets**”), has already commenced a process to secure a longer term arrangement with a financial institution to continue to fund the Securitization Program during these CCAA proceedings. It is expected that ACI will return to this Honourable Court in a short period of time to seek the approval of a longer term arrangement or replacement for the Securitization Program.

110. The Proposed Monitor has reviewed the ACI & DCorp Parties’ cash flow forecasts for the next five weeks and it would appear that, based on their projections, these groups should have sufficient liquidity to operate their businesses under the terms of the Securitization Program and the Waiver during that period.

DIP FINANCING – THE ACI GROUP

111. While it is anticipated that the ACI Group, with the support of the Waiver, should have sufficient short term liquidity under the Securitization Program, the ACI Group will need to secure new DIP financing to fund itself for the duration of the CCAA Proceedings (the “**ACI DIP Financing**”) while ABH, the ACI Group, the BI Group, the DCorp Group and their stakeholders consider restructuring options.

112. ACI and its advisor, BMO Capital Markets, have been in discussions with financiers to discuss potential ACI DIP Financing options. They have advised the Proposed Monitor that they are close to finalizing a \$100 million ACI DIP Financing.

113. ACI expects to return to this Honourable Court as early as next week to seek approval for the ACI DIP Financing once the terms are finalized.

DIP FINANCING – THE BI GROUP

114. In order to address financing needs during these proceedings, ABH and BI (collectively, the “**US Borrowers**”) and BCFPI (the US Borrowers and BCFPI are hereinafter referred to as the “**Borrowers**”) have entered into a DIP financing agreement (the “**BI/BCFPI DIP Agreement**”) with Fairfax Financial Holdings Limited as the initial lender, and such lenders as may be party thereto from time to time (collectively, the “**BI/BCFPI DIP Lender**”).

115. The BI/BCFPI DIP Lender will provide senior secured super-priority DIP term loans of \$166 million to the U.S. Borrowers (the “**U.S. Term Advance**”) and \$40 million to BCFPI (the “**Canadian Term Advance**”) (collectively, the “**Term Facility**”) (with an option to increase the amount of the Term Facility to \$360 million (the “**Incremental Facility**”) (the Term Facility, together with any Incremental Facility, are hereinafter referred to as the “**DIP Facility**”). The Term Facility will be advanced in full on Closing.

116. The proceeds of the DIP Facility will be used (i) to pay transaction costs, fees and expenses which are incurred in connection with the DIP Facility, (ii) for working capital purposes, (iii) for other general corporate purposes and (iv) to pay adequate protection to holders of debt under certain existing senior secured loan facilities provided, however, that the proceeds of any advances under the DIP Facility shall not be used to repay Prepetition Debt (as defined in the BI/BCFPI DIP Agreement).

117. The significant terms of the BI/BCFPI DIP Agreement are as follows:

- Term Facility – a term loan in the amount of \$166 million to the U.S. Borrowers and \$40 million to BCFPI;
- Incremental Facility – an option to increase the amount of the Term Facility in an aggregate principal amount not to exceed \$360 million less the principal amount of the initial funding under the Term Facility;
- Guarantors: (i) borrowings by the U.S. Borrowers are guaranteed by ABH, BI and each direct and indirect wholly-owned subsidiary of BI and Bowater Newsprint South Operations LLC organized under the laws of the United States and (ii) borrowings by BCFPI are guaranteed by each direct and indirect wholly-owned subsidiary of BI and Newsprint South organized under the laws of Canada;
- Interest Payments – interest will be paid monthly in arrears. Interest shall be payable at a Base Rate or, at the option of the Borrowers, a LIBOR rate, in each case, plus an Applicable Margin. The Base Rate is a fluctuating rate equal to the greater of (a) the Federal Funds Rate plus 0.5% or (b) 2.5%. The LIBOR rate is a fixed rate for a specified period equal to the greater of (a) the London interbank rate or (b) 3.5%. The Applicable Margin for Base Rate loans is 6.5% and for LIBOR loans is 7.5%, in both cases, increasing by 0.5% if the loan is not repaid within 12 months. Upon the occurrence of an event of default, as defined in the BI/BCFPI DIP Agreement, the interest rate shall increase by 2%;
- Closing and Other Fees – the Borrowers shall pay an upfront fee to the BI/BCFPI DIP Lenders in an amount equal to 3% of the stated principal amount of the Term Facility. The Borrowers shall also pay closing fees in an amount equal to further 2% of the stated principal amount of such loans under the DIP Facility, earned when funded and payable out of the proceeds of the DIP Facility, provided that (i) 50% of such closing fees shall be payable to the BI/BCFPI DIP Lender upon entry of the Interim DIP Order by the U.S. Bankruptcy Court and (ii) 50% of such closing fees shall be deposited into escrow and paid to the BI/BCFPI DIP Lender upon the earlier of (a) the maturity date and (b) the U.S. Bankruptcy Court entering the Final DIP Order. The Borrowers shall also pay all professional and advisory fees and expenses of the BI/BCFPI DIP Lender related to the DIP Facility;
- Exit Fee – an exit fee of 2% of the aggregate amount of the advances made under the BI/BCFPI DIP Agreement, which is payable on the earlier of the maturity date and the date of repayment;
- Closing Date – the first date on which the conditions precedent are satisfied including the granting of the Interim DIP Order by the U.S. Bankruptcy Court and the Initial Order (including the approval of the BI/BCFPI DIP Agreement) by this Honourable Court;
- Maturity Date – The earliest of (i) the 45th day following the Closing Date if the Final DIP Order is not granted by the U.S. Bankruptcy Court, (ii) 12 months after the

Closing Date, unless otherwise extended in accordance with the terms of the BI/BCFPI DIP Agreement, (iii) the effective date of the plan of reorganization of the Borrowers and (iv) the acceleration of the loans and termination of the commitments under the DIP Facility;

- Security – the DIP Facility and each Guarantee will be secured by valid and enforceable security interests in all of the property and assets, whether real or personal, of each such Borrower and Guarantor, having the priority set forth in the Initial Order and the Final Order and the Interim Order issued by the U.S. Bankruptcy Court; and

- Financial Covenants – include limits on capital expenditures, minimum consolidated adjusted EBITDA and minimum liquidity.

118. The amount borrowed by BCFPI under the DIP Facility will be secured by, among other things, a court-ordered charge (the “**BCFPI DIP Charge**”) on the Borrowers’ and the Guarantors’ property ranking in priority to all other liens, charges and security interests, but subordinate to the Administration Charges, a portion of the Directors’ Charge and the security interests securing the BCFPI Revolving Credit Facility.

119. The Petitioners have advised, and the Proposed Monitor has confirmed, that BCFPI urgently requires financing to continue its operations which will preserve value for the benefit of the Petitioners’ stakeholders. Given the integration of the BI Groups’ operations, it is effectively operating as one business entity.

OVERVIEW OF WEEKLY CASH FLOW FORECAST

120. The ACI Group and BCFPI have each prepared weekly cash flow projections to forecast their liquidity positions for the five week period as contemplated by the proposed Initial Order.

ACI

121. ACI has prepared a five week cash flow forecast (the “**ACI Forecast**”), a copy of which is attached as Appendix “F” to this Report. The ACI Forecast indicates that ACI has sufficient cash resources to meet its post-filing obligations over the next five weeks, which will allow ACI to have the time it believes is necessary for it to secure a longer term arrangement for the Securitization Program and to secure the ACI DIP Financing, provided the assumptions in the ACI Forecast are met.

122. The main assumptions of the ACI Forecast are as follows:

- ACI has cash balances of approximately \$34.8 million on hand in addition to approximately \$29 million held in a Securitization Program lockbox account as at April 10, 2009;
- accounts receivable generated from post-filing sales and collections of accounts receivable will be subject to the Securitization Program. It is assumed that there will be no impact on the collectability of customer accounts as a result of the ACI Group commencing formal insolvency proceedings;

- payroll and benefit disbursements are assumed to be made in the normal course, including pension funding payments for current service. The Abitibi Petitioners intend to suspend the remittance of special payments in respect of past service with respect to its Canadian defined benefits pension plans and such special payments are not included in the ACI Forecast. Further, SERP, severance and salary continuance payments are not included in the ACI Forecast; and
- payments and receipts with certain joint ventures are assumed to continue in the normal course.

123. The ACI Forecast indicates that ACI has sufficient liquidity resources under the Securitization Program and the Waiver to meet its post-filing obligations during the next five weeks, allowing ACI time to secure a longer term arrangement for the Securitization Program and the ACI DIP Financing.

BCFPI

124. BCFPI has prepared a five week cash flow forecast (the "BCFPI Forecast"). A copy of the BCFPI Forecast is attached as Appendix "G" to this Report. The BCFPI Forecast indicates that BCFPI has sufficient cash resources to meet its post-filing obligations over the forecast period, provided the assumptions in the BCFPI Forecast are met.

125. The main assumptions of the BCFPI Forecast are as follows:

- BCFPI has cash balances of approximately \$3.2 million as at April 10, 2009;
- post-filing sales and collections are based on historical collection results and assume no impact on the collectability of customer accounts as a result of BCFPI commencing formal insolvency proceedings;
- payroll and benefit disbursements are assumed to be made in the normal course, including pension funding payments for current service. The Bowater Petitioners intend to suspend the remittance of special payments in respect of past service with respect to its Canadian defined benefits pension plans, and such special payments are not included in the BCFPI Forecast. Further SERP, severance and salary continuance payments are not included in the BCFPI Forecast; and
- payments and receipts with joint ventures, including the payment of arrears, are assumed to continue in the normal course.

CROSS-BORDER PROTOCOL

126. The Proposed Monitor has been advised that, given that there will be proceedings in both the United States and Canada in respect of these related entities, the Petitioners intend to seek approval of a cross-border court-to-court protocol at a later date in coordination with the applications brought for similar approval in the Chapter 11 proceedings.

127. It is the view of the Proposed Monitor that cooperation and coordination between the U.S. Bankruptcy Court and this Honourable Court would be helpful and that a cross-border protocol would be appropriate, subject to the views of this Honourable Court.

APPOINTMENT OF BMO CAPITAL MARKETS AS THE ACI GROUP'S FINANCIAL ADVISOR

128. On March 31, 2009, ACI and BMO Capital Markets Group signed a letter agreement (the "BMO Engagement Letter") pursuant to which BMO Capital Markets has agreed, subject to the approval of this Honourable Court, to provide services to the ACI Group in connection with the provision of restructuring advice and raising DIP financing.
129. The BMO Engagement Letter provides for ACI to pay BMO Capital Markets' fees for these services, including a retention fee of \$350,000, a \$200,000 monthly work fee, a financing fee of 2% of the commitment amount of the DIP financing raised, including any continuation or replacement of the Securitization Program, (reduced to 1% for certain specified capital providers) and exit financing fees. Additionally, the BMO Engagement Letter also provides for payment of a completion fee upon a successful restructuring based upon a formula set out in the BMO Engagement Letter.
130. The payments owing to BMO Capital Markets are secured by a \$350,000 retainer and by the Administration Charge set out in the proposed Initial Order.
131. BMO Capital Markets is a firm with substantial experience providing restructuring advisory services and raising capital for large complex organizations. Further, the Proposed Monitor is advised that BMO Capital Markets is very familiar with ACI and has been working for ACI for a significant period of time on its recapitalization initiatives and, as such, is well-suited to advise the ACI Group through its restructuring.
132. The Proposed Monitor supports ACI's engagement of BMO Capital Markets.

APPOINTMENT OF INFORMATION OFFICER IN RESPECT OF U.S. PROCEEDINGS

133. The Petitioners have advised the Proposed Monitor that, in respect of the Chapter 11 proceedings, they intend to seek an Order appointing Ernst & Young Inc. as an information officer (the "Information Officer") with the powers and obligations set out in the proposed Initial Order.
134. The Information Officer shall report to this Court at such times and intervals as the Information Officer deems appropriate or the Court may direct and, in any event, shall deliver a report to the Court at least once every two months outlining the status of the Chapter 11 proceedings and such other information as the Information Officer believes to be material.
135. Ernst & Young Inc. consents to its appointment as an Information Officer.

SELECTED FINANCIAL MATTERS ADDRESSED IN THE PROPOSED INITIAL ORDER

136. The proposed draft Initial Order provides for a number of charges and thresholds related to asset sales and other matters (the "Charges"), the highlights of which are outlined below.

Administration Charges

137. The Administration Charges as described in the proposed Initial Order provide for (i) a charge in the amount of CDN \$6 million (the "**Abitibi Administration Charge**"), which shall affect the assets of the Abitibi Petitioners and (ii) a charge in the amount of CDN \$2 million (the "**Bowater Administration Charge**"), which shall affect the assets of the Bowater Petitioners (collectively, the "**Administration Charges**") in favour of the Proposed Monitor, legal counsel to the Proposed Monitor and legal counsel and other advisors to the Petitioners as security for professional fees and disbursements incurred both before and after the making of the Initial Order in respect of these CCAA proceedings. The Administration Charges have been established based on the respective professional's previous history and experience with large cross-border restructurings of similar magnitude and complexity. The Proposed Monitor believes that the Administration Charges are required and reasonable under the circumstances.

Directors' Charge

138. The proposed Initial Order provides for (i) a CDN \$75 million charge (the "**Abitibi D&O Charge**"), which shall only affect the assets of the Abitibi Petitioners, and (ii) a CDN \$25 million charge (the "**Bowater D&O Charge**"), which shall only affect the assets of the Bowater Petitioners (collectively, the "**Directors' Charge**") to indemnify the directors and officers of the Abitibi Petitioners and the Bowater Petitioners, respectively, in respect of all costs (including, without limitation, full defence costs), charges, expenses, claims and obligations relating to liabilities that the directors and officers incur in that capacity, subject to the limitations and qualifications in the proposed Initial Order and including all claims relating to the Petitioners failing to pay amounts in respect of employee or former employee entitlements to wages, vacation pay, termination pay, severance pay, pension or any other benefits, or any other amount for services performed prior to or after the date of the Initial Order.
139. As set forth in the proposed Initial Order, each of the Abitibi D&O Charge and the Bowater D&O Charge is divided into two tranches.
140. The first tranche of the Abitibi D&O Charge is up to a maximum of CDN \$22.5 million. The second tranche of the Abitibi D&O Charge is the balance of the CDN \$75 million, if any.
141. The first tranche of the Bowater D&O Charge is up to a maximum of CDN \$7.5 million. The second tranche of the Bowater D&O Charge is the balance of the CDN \$25 million, if any.
142. The amount of each of the Abitibi D&O Charge and the Bowater D&O Charge was estimated by the Petitioners taking into consideration the amount of their hourly and salaried payroll, vacation pay and sales taxes. The Proposed Monitor believes, based on its experience with large, complex CCAA restructurings, that the Directors' Charges are required and reasonable under the circumstances.

Sale of Assets

143. The thresholds established in the proposed Initial Order allow the Petitioners to dispose of redundant or non-material assets provided that the price not exceed \$10 million in any one transaction or \$50 million in aggregate. These thresholds were established in relation to the size of the Petitioners' operations and value of their assets in order to facilitate the orderly restructuring of their enterprises without adding undue administrative burden to the process. In the Proposed Monitor's view, these thresholds are appropriate given the size of the Petitioners' operations.

Creditor Notification

144. The Proposed Monitor will send notice of the Initial Order to every known creditor of the Petitioners, other than employees, having a claim of more than CDN\$5,000, within 10 days. This threshold was established after taking into consideration the number of creditors and the balances owed to creditors by the Petitioners. The Proposed Monitor will post a copy of the Initial Order on its website and will provide copies to creditors as requested.

RESTRUCTURING ALTERNATIVES

145. The Petitioners have advised the Proposed Monitor that, at this time, it is not possible to present a comprehensive restructuring strategy. In the Proposed Monitor's view, this is not unusual at the outset of a complex multi-jurisdictional restructuring such as this.
146. The shape and direction of the ABH Group's restructuring will take some time to develop. It will require a thorough strategic review of the ABH Group's assets and operations as well as input from ABH and the Petitioners' various stakeholder groups.
147. The CCAA and Chapter 11 proceedings will provide an environment to stabilize the ABH Group's business and provide for the continuation of going concern operations.
148. Once the ABH Group's business has been stabilized, the Petitioners and the Proposed Monitor will be able to update this Honourable Court with respect to ABH's restructuring alternatives.

THE PROPOSED MONITOR'S ANALYSIS AND RECOMMENDATION

149. The Proposed Monitor believes that it is appropriate that the Petitioners be granted the benefit of protection under the CCAA. Such protection will enable them to stabilize operations while ACI seeks a longer term arrangement for the Securitization Program and negotiates the ACI DIP Financing so that the Petitioners can continue discussions with their key stakeholders regarding a restructuring under CCAA supervision in a manner that is in the best interests of their stakeholders.
150. In addition, the Proposed Monitor supports the need for the DIP Facility and the B/B/CFPI DIP Agreement in order to fund the operations of the BI Group and BCFPI and to stabilize their operations.

151. Further, the Proposed Monitor supports ACI's engagement of BMO Capital Markets as well as the continued use of the CMS.

152. Further to the Proposed Monitor's review of the proposed Initial Order, the Proposed Monitor supports the thresholds described therein, including:

- the Abitibi Administration Charge of CDN \$6 million;
- the Bowater Administration Charge of CDN \$2 million;
- the Abitibi D&O Charge of CDN \$75 million;
- the Bowater D&O Charge of CDN \$25 million;
- the BCFPI DIP Charge of \$40 million;
- the Intercompany Charges to secure post-filing intercompany transactions;
- asset sales of \$10 million or \$50 million in the aggregate; and
- notice to creditors with outstanding balances of CDN\$5,000 or more.

All of which is respectfully submitted this 16th day of April, 2009.

ERNST & YOUNG INC.
in its capacity as the Proposed Monitor
of the Petitioners



Per: Alex Morrison, CA, CRP
Senior Vice President

APPENDIX "A"
ABITIBI PETITIONERS

1. Abitibi-Consolidated Company of Canada
2. 3224112 Nova Scotia Limited
3. Marketing Donohue Inc.
4. Abitibi-Consolidated Canadian Office Products Holding Inc.
5. 3834328 Canada Inc.
6. 6169678 Canada Inc.
7. 4042140 Canada Inc.
8. Donohue Recycling Inc.
9. 1508756 Ontario Inc.
10. 3217925 Nova Scotia Company
11. La Tuque Forest Products Inc.
12. Abitibi-Consolidated Nova Scotia Incorporated
13. Saguenay Forest Products Inc.
14. Terra Nova Explorations Ltd.
15. The Jonquière Pulp Company
16. The International Bridge and Terminal Company
17. Scramble Mining Ltd.
18. 9150-3383 Québec Inc.

APPENDIX "B"
BOWATER PETITIONERS

1. Bowater Canada Finance Corporation
2. Bowater Canadian Limited
3. 3231378 Nova Scotia Company
4. AbitibiBowater Canada Inc.
5. Bowater Canada Treasury Corporation
6. Bowater Canadian Forest Products Inc.
7. Bowater Shelburne Corporation
8. Bowater LaHave Corporation
9. St-Maurice River Drive Company Limited
10. Bowater Treated Wood Inc.
11. Canexel Hardboard Inc.
12. 9068-9050 Québec Inc.
13. Alliance Forest Products Inc. (2001)
14. Bowater Belledune Sawmill Inc.
15. Bowater Maritimes Inc.
16. Bowater Mitis Inc.
17. Bowater Guérette Inc.
18. Bowater Couturier Inc.

APPENDIX "C"
U.S. DEBTORS

1. AbitibiBowater Inc.
2. AbitibiBowater US Holding LLC
3. Donohue Corp.
4. Abitibi Consolidated Sales Corporation
5. Abitibi-Consolidated Alabama Corporation
6. Alabama River Newsprint Company
7. Abitibi-Consolidated Corporation
8. Augusta Woodlands, LLC
9. Tenex Data Inc.
10. AbitibiBowater US Holding 1 Corp.
11. Bowater Ventures Inc.
12. Bowater Incorporated
13. Bowater Nuway Inc.
14. Bowater Nuway Mid-States Inc.
15. Catawba Property Holdings LLC
16. Bowater Finance Company Inc.
17. Bowater South American Holdings Incorporated
18. Bowater America Inc.
19. Lake Superior Forest Products Inc.
20. Bowater Newsprint South LLC
21. Bowater Newsprint South Operations LLC
22. Bowater Finance II, LLC

23. Bowater Alabama LLC
24. Coosa Pines Golf Club Holdings, LLC
25. Bowater Canadian Forest Products Inc.
26. Bowater Canada Finance Corporation
27. Bowater Canadian Holdings Incorporated
28. Bowater Canadian Limited
29. AbitibiBowater Canada Inc.
30. Bowater Maritimes Inc.
31. Bowater LaHave Corporation

APPENDIX "D"
18.6 PETITIONERS

1. AbitibiBowater US Holding 1 Corp.
2. Bowater Ventures Inc.
3. Bowater Incorporated
4. Bowater Nuway Inc.
5. Bowater Nuway Mid-States Inc.
6. Catawba Property Holdings LLC
7. Bowater Finance Company Inc.
8. Bowater South American Holdings Incorporated
9. Bowater America Inc.
10. Lake Superior Forest Products Inc.
11. Bowater Newsprint South LLC
12. Bowater Newsprint South Operations LLC
13. Bowater Finance II, LLC
14. Bowater Alabama LLC
15. Coosa Pines Golf Club Holdings, LLC

APPENDIX "E"
PARTNERSHIPS

1. Bowater Canada Finance Limited Partnership
2. Bowater Pulp and Paper Canada Holdings Limited Partnership
3. Abitibi-Consolidated Finance LP

**APPENDIX "F"
ACI FORECAST**

Abitibi-Consolidated Inc. ("ACI")
Weekly Cash Flow Forecast
5 Weeks Ended May 17, 2009
US\$000s

Week ended	Notes	19-Apr-09	26-Apr-09	3-May-09	10-May-09	17-May-09	Total
Cash Held in Bank		34,819	10,000	10,000	10,000	10,000	34,819
Cash Held in Lockboxes		29,101	23,069	12,610	9,288	35,756	29,101
Opening Cash		63,920	33,069	22,610	19,288	45,756	63,920
Receipts							
Total A/R Collections	1	34,675	36,152	48,189	58,886	54,382	232,285
Collections on Behalf of JV's	2	4,708	4,708	4,557	4,355	4,355	22,682
Other Inflows	3	1,933	1,933	1,933	1,933	1,933	9,666
Total Receipts		41,316	42,794	54,679	65,174	60,670	264,633
Disbursements							
Trade Payables	4	(18,000)	(32,819)	(22,065)	(21,059)	(21,059)	(115,003)
Capital Expenditures	5	(1,453)	(1,453)	(1,433)	(1,406)	(1,406)	(7,152)
Marine Freight Payments	6	(1,050)	(1,050)	(1,050)	(1,050)	(1,050)	(5,250)
Utility Payments	7	(4,000)	(10,240)	(16,686)	-	(4,000)	(34,926)
Payroll & Benefits	8	(2,311)	(1,961)	(10,477)	(1,971)	(8,310)	(25,031)
Joint Venture Remittances, Net	9	(10,000)	(10,038)	-	-	(24,467)	(44,505)
Restructuring & Other Items	10	(1,382)	(1,000)	(1,000)	(1,000)	(1,000)	(5,382)
Total Disbursements		(38,197)	(58,562)	(52,711)	(26,486)	(61,293)	(237,249)
Financing							
Securitization Inflows / (Outflows)	11	(33,972)	5,310	(5,290)	(12,220)	(10,395)	(56,567)
Total Change in Cash		(30,852)	(10,459)	(3,322)	26,468	(11,019)	(29,183)
Ending Cash Balance		33,069	22,610	19,288	45,756	34,737	34,737
Cash Held in Bank		10,000	10,000	10,000	10,000	10,000	10,000
Cash Held in Lockboxes		23,069	12,610	9,288	35,756	24,737	24,737
Securitization Schedule							
Allowable Receivable Pool Balance	12	139,926	145,235	139,945	127,725	118,251	118,251
Availability Adjustment	13	(3,636)	-	-	-	-	(3,636)
Amount Drawn Under Facility		160,811	139,926	145,235	139,945	127,725	160,811
Availability / (Required Repayment)		(24,522)	5,310	(5,290)	(12,220)	(9,474)	(46,196)
Fees & Expenses		(9,450)	-	-	-	(921)	(10,371)
Net Securitization Cash Flow		(33,972)	5,310	(5,290)	(12,220)	(10,395)	(56,567)

Note: The above totals are subject to rounding errors in the underlying balances

Abitibi Consolidated Inc. ("ACI")

Notes to Cash Flow Forecast

5 Weeks Ended May 17, 2009

US\$000s

1. **Total A/R Collections** represent amounts estimated to be collected from ACI's customers. The timing of collections is based on ACI's collection terms with its customers and the latest sales forecast.
2. **Collections on Behalf of Joint Ventures** represent amounts estimated to be collected by ACI on behalf of its joint venture partners. ACI has agreements with its joint venture partners whereby ACI collects the joint venture partners accounts receivable (for a fee) and remits these funds to the joint venture in accordance with their agreement.
3. **Other Inflows** represent miscellaneous receipts, including, but not limited to such items as tax refunds or insurance proceeds, as estimated by ACI.
4. **Trade Payables** represent amounts estimated to be paid to suppliers for the purchase of ACI's raw materials, repairs and maintenance and other goods and services related to production.
5. **Capital Expenditures** represent amounts estimated to be paid pursuant to ACI's most recent capital expenditure budget.
6. **Marine Freight Payments** represent amounts estimated to be paid to ACI's outbound marine freight suppliers.
7. **Utility Payments** represent amounts estimated to be payable to ACI's hydroelectricity suppliers.
8. **Payroll and Benefits** represent estimated amounts for salaries, wages and current service pension costs.
9. **Joint Venture Remittances, Net** represent the estimated payment of accounts receivable funds collected by ACI on behalf of the respective joint venture, net of any collection/management fees.
10. **Restructuring and Other Items** represent amounts estimated by ACI for restructuring costs and other miscellaneous payments.
11. **Securitization Inflows/(Outflows)** represent the estimated net availability or repayment (including interest) of funds under ACI's Securitization Program.
12. The **Securitization Summary** represents ACI's estimated calculation of amounts owing or available under the Securitization Program based on the eligible accounts receivable (net of any fees, interest or allowances).
13. The **Availability Adjustment** represents an adjustment required to reflect the Company's estimated availability during the week ended April 19th.

APPENDIX "G"
BCFPI FORECAST

Bowater Canadian Forest Products Inc.
CCAA Cash Flow
5 Week Period Ended May 17, 2009
US\$000s

Week Ended		19-Apr-09	26-Apr-09	3-May-09	10-May-09	17-May-09	Total
Receipts							
Trade Receipts	Notes 1, 11	9,230	12,549	17,604	16,716	12,720	68,819
Total Receipts		9,230	12,549	17,604	16,716	12,720	68,819
Disbursements							
Trade Payables	2	(15,016)	(9,838)	(13,641)	(8,546)	(8,546)	(55,586)
Intercompany SG&A Allocation	3	(510)	(510)	(494)	(472)	(472)	(2,458)
Freight	4	(473)	(1,090)	(1,039)	(971)	(971)	(4,545)
Payroll and Benefits	5	(4,595)	(1,199)	(5,203)	(1,196)	(4,593)	(16,786)
Capital Expenditures	6	(467)	(467)	(460)	(452)	(452)	(2,297)
Interest	7	-	-	(852)	-	(338)	(1,190)
Restructuring Costs	8	(2,260)	(260)	(260)	(260)	(260)	(3,300)
Total Disbursements		(23,321)	(13,364)	(21,949)	(11,897)	(15,631)	(66,162)
Cash Flow from Operations		(14,091)	(814)	(4,345)	4,819	(2,911)	(17,343)
Bank Balance, Opening		3,214	29,123	28,309	23,963	28,782	3,214
New DIP Facility Inflow (the Canadian Term Loan)	9	40,000	-	-	-	-	40,000
Cash Flow		(14,091)	(814)	(4,345)	4,819	(2,911)	(17,343)
Bank Balance, Closing	10	29,123	28,309	23,963	28,782	25,872	25,872
Current Revolving Credit Facility							
Current Credit Facility Balance, Opening		94,337	94,337	94,337	94,337	94,337	94,337
Current Credit Facility Drawings / (Repayments)		-	-	-	-	-	-
Current Balance, Closing		94,337	94,337	94,337	94,337	94,337	94,337
Intercompany A/R Balance							
Ending Balance	11	51,140	53,833	53,887	53,171	53,698	53,698

Amounts in the above table are subject to rounding errors from the underlying balances

Bowater Canadian Forest Products Inc. ("BCFPI")
Notes to CCAA Cash Flow
5 Week Period Ended May 17, 2009
US\$000s

1. **Trade Receipts** are based on BCFPI's estimate of collection terms and BCFPI's latest sales forecast.
2. **Trade Payables** represent payments for raw materials, repairs and maintenance, utilities and other production items.
3. **Intercompany SG&A Allocation** represents expenses incurred by BCFPI's parent company on behalf of BCFPI which are charged to BCFPI pursuant to its normal process for the allocation of such costs. These intercompany SG&A costs are assumed to be settled in cash on a weekly basis.
4. **Freight** represents disbursements in respect of costs to deliver product to customers.
5. **Payroll and Benefits** represent amounts paid to employees for salaries and wages (including the related withholdings), pension payments and other benefits due under employee benefit programs. The forecast assumes that only those pension payments in respect of current service costs will be paid.
6. **Capital Expenditures** are costs scheduled to be made in accordance with agreements with BCFPI's various capital equipment suppliers and reflect requirements pursuant to BCFPI's most recent capital expenditure budget.
7. **Interest** represents interest costs for the company's senior secured revolving facility, the existing secured term loan and the new DIP facility.
8. **Restructuring Costs** represent costs related to the restructuring including transaction fees related to the new DIP facility.
9. The forecast assumes that a term loan of \$40 million will be available to BCFPI pursuant to a new DIP facility. Further details regarding the BI and BCFPI credit facility can be found in the Report of the Proposed Monitor.
10. The cash flows included in the forecast include only those BCFPI mills in Canada. No funding or dividends from foreign subsidiaries are included in the forecast.
11. The intercompany accounts receivable balance represents pre-filing and post-filing sales to customers in the United States by BCFPI through Bowater America Inc. This amount is assumed not to be stayed and is collected by BCFPI from Bowater America Inc. in the normal course.

Action No. 0901-13483

**IN THE COURT OF QUEEN'S BENCH OF
ALBERTA
JUDICIAL DISTRICT OF CALGARY**

**IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, R.S.C. 1985,
c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
TRIDENT EXPLORATION CORP., FORT
ENERGY CORP., FENERGY CORP., 981384
ALBERTA LTD., 981405 ALBERTA LTD., 981422
ALBERTA LTD., TRIDENT RESOURCES
CORP., TRIDENT CBM CORP., AURORA
ENERGY LLC, NEXGEN ENERGY CANADA,
INC. AND TRIDENT USA CORP.**

BRIEF OF ARGUMENT OF THE PETITIONERS

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