

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE: . Case No. 09-11296-KJC
. .
ABITIBIBOWATER, INC., .
et al., . 824 North Market Street
. Wilmington, DE 19801
. .
Debtors. . May 15, 2009
. 9:58 a.m.

TRANSCRIPT OF HEARING
BEFORE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY COURT CHIEF JUDGE

APPEARANCES:

For the Debtors: Young, Conaway, Stargatt & Taylor, LLP
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1 THE COURT: Good morning, everyone.

2 MS. MORGAN: Good morning, Your Honor. Pauline
3 Morgan from Young, Conaway, Stargatt & Taylor on behalf of the
4 debtors. Your Honor, as indicated in today's agenda, the first
5 four matters relating to financing and cash management have
6 been adjourned by agreement of the parties, some to the May
7 27th hearing and others to the June 4th hearing.

8 The next section on the agenda, the uncontested
9 matters with certifications, Your Honor has signed most of
10 those orders and we thank the Court for that. I know that Your
11 Honor has not signed, and I understand you have a question
12 about the Young Conaway application which is number eight on
13 the agenda, and I'm prepared to address it, Your Honor.

14 THE COURT: Yes. I wanted a, I guess, a little
15 deeper discussion about the Stock Building Supply Holdings case
16 what the magnitude of the Abitibi debt is and likelihood of
17 possible conflicts and those kinds of things.

18 MS. MORGAN: Sure, Your Honor. I can represent that
19 Stock Building Supply filed its cases on May 6th. They are
20 pending before Judge Walrath. That is a pre-pack we call it,
21 although there are no impaired classes actually there. So it
22 is a case in which a plan of disclosure statement was filed on
23 first day and there is no solicitation being anticipated.
24 Trade is riding through in full and, in fact, Judge Walrath did
25 sign an order at the first day hearing authorizing trade claims

1 to be paid in the ordinary course.

2 I did check with -- I tried to find out how much of a
3 claim Abitibi holds and actually there is nothing open on the
4 system. They are a vendor. Abitibi is a vendor of Stock
5 Building Supply which supplies home building supplies to home
6 building constructors. So I think there is an ongoing
7 relationship. There are probably some claims that maybe have
8 not even been invoiced. They certainly were not large enough
9 to make the 30 largest list. The smallest one on that list,
10 Your Honor, is \$300,000. So it's somewhere south of that and
11 we actually couldn't find anything in the Stock Building
12 Supply's database that showed anything outstanding to Abitibi
13 at this time.

14 THE COURT: All right. That satisfies my questions.
15 I've signed the order. Thank you.

16 MS. MORGAN: Your Honor, while we're on that
17 application though, I was looking at it last night in preparing
18 for today's hearing and I found a misstatement in the
19 application that I'd actually like to correct. In paragraph
20 six when we talk about our evergreen retainer some language was
21 pulled from obviously another application which isn't accurate
22 for this case. It makes the statement that these are
23 liquidating cases in which the secured lender is under secured.
24 Obviously that is not the case. I did want to correct the
25 record on that as well, Your Honor.

1 THE COURT: All right. Thank you.

2 MS. MORGAN: May I approach with a clean order?

3 THE COURT: I signed the one that was submitted with
4 the binder. Thank you.

5 MS. MORGAN: Okay. Fine, thank you, Your Honor.

6 And, Your Honor, that leads us to the only matters that were
7 still contested as indicated on the agenda and those were --
8 that was the debtor's motion establishing a procedure for
9 providing adequate assurance to utilities. As indicated in the
10 agenda, Your Honor, we had several informal and formal
11 objections. I am pleased to report that we have resolved all
12 of them. If I may go through them quickly.

13 Informal objections of Tennessee Valley Authority and
14 York County Natural Gas have been resolved. Your Honor, with
15 respect to York, we actually removed that utility from the list
16 so it's not subject to the utility order. We do have a
17 contract with that entity.

18 As to Duke, Alabama and Southern Pine, with respect
19 to all of those as well, Your Honor, we are removing them from
20 the procedures and have entered into agreements with those
21 utilities basically providing for a prepay arrangement in lieu
22 of the deposit.

23 And another thing I was asked to place on the record
24 is that we did not include on the utility exhibit list an
25 entity known as Salt River Project. We have had discussions

1 with Salt River Project and we have agreed to allow them to set
2 off their pre-petition deposit against their pre-petition claim
3 and there is an agreement to hold the balance of their pre-
4 petition deposit as adequate assurance for future performance.

5 So with that, Your Honor, I do have a revised form of
6 order if I may approach with the blackline and a clean.

7 THE COURT: You may. While you are doing that I will
8 ask if anyone else would like to be heard in connection with
9 this motion.

10 MR. MILLER: Good morning, Your Honor. Rick Miller
11 on behalf of Southern Pine Electric Cooperative. Ms. Morgan
12 has accurately stated that we have reached an agreement as to
13 adequate assurance of payment with the debtors and based upon
14 that agreement, we are withdrawing our objection to the utility
15 motion. Thank you, very much.

16 THE COURT: All right. Thank you. Does anyone else
17 care to be heard?

18 MR. MOORE: This is Greg Moore on behalf of Salt
19 River Project. I can confirm that we have also reached an
20 agreement with the debtor as well as stated.

21 THE COURT: Okay. Anyone else care to be heard? I
22 hear no further response.

23 MS. MORGAN: Your Honor, with respect to the
24 blackline order, basically what we've done, and I am looking at
25 page five of the blackline, as I just indicated we are

1 withdrawing the motion as to York County. And with respect to
2 both York and all of the other objectors that we've already
3 identified, we are removing from the deposit account the two
4 weeks we had set aside for those individual utilities. And,
5 again, we will be paying them as required by our separate
6 agreements with those utilities.

7 THE COURT: All right. And the resolution with TVA
8 was what?

9 MS. MORGAN: Your Honor, TVA there were also pre-
10 petition prepayments. I believe there was an amount fixed each
11 week for various mills that the TVA was servicing. I think we
12 also had a prepayment arrangement and will be truing them up on
13 a monthly basis.

14 THE COURT: All right. That order has been signed.

15 MS. MORGAN: Thank you, Your Honor. That concludes
16 our agenda for this morning. We thank you for your time.

17 THE COURT: All right. I have a couple of things
18 before you go. I guess the first is with respect to, and stop
19 me -- did I give you my \$1,000 an hour first day speech?

20 MS. MORGAN: Not recently, Your Honor.

21 THE COURT: Okay. No, I mean in this case.

22 MS. MORGAN: No, not in this case, Your Honor.

23 THE COURT: Okay. I noted that with respect to the
24 Paul Weiss application, I did sign the order authorizing their
25 engagement, that Ms. Cornish has a billing rate in excess,

1 slightly over \$1,000. I've yet knowingly to approve a \$1,000
2 an hour rate for any professional. So that to the extent that
3 at the first interim hearing this rate is sought, not just by
4 her but by anyone, I will expect an evidentiary hearing in
5 support of that figure. It may be the market has gotten that
6 far, but I want a record which will convince me that it has.

7 MS. MORGAN: That's fine, Your Honor.

8 THE COURT: Okay. Secondly, given the size of the
9 case I would normally appoint a fee auditor and intend to do so
10 in this case although I will say recently I received a request
11 in another case to consider appointment of a fee review
12 committee, a mechanism that is used more frequently in the
13 Southern District of New York. And I've indicated to several
14 parties now I would consider that in lieu of appointment of a
15 fee auditor.

16 That request was generated, I understand, because the
17 pool of fee auditors remains relatively small. So I'd ask that
18 within the next couple of weeks the parties here come back to
19 me either individually or collectively with the recommendation
20 about which form of oversight they would prefer with respect to
21 the fees in this case.

22 MS. MORGAN: Your Honor, we will consult with the
23 committee and with the U.S. Trustee and at one of the upcoming
24 hearings, I know we have a couple coming up, we will try to
25 advise the Court of our recommendation at least, obviously

1 subject to Court approval.

2 THE COURT: Okay.

3 MS. MORGAN: Your Honor, back to the Paul Weiss
4 application. I just wanted to make clear on the record, and I
5 was searching for it as you were speaking, although the rates
6 in effect for Ms. Cornish for instance are over \$1,000, the
7 application does indicate at page three, I'm sorry, paragraph
8 three, that they have agreed that no fee will be in excess of
9 925 per hour in this case.

10 THE COURT: Okay.

11 MS. MORGAN: There is possibility of an adjustment as
12 the firm's rates ordinarily adjust from time to time that we
13 would again be bumping up against that. But I believe for the
14 initial period we will be under that.

15 THE COURT: Okay. That makes it easy then. All
16 right, thanks for pointing that out to me. That concludes this
17 hearing. Court will stand in recess.

18 MS. MORGAN: Thank you.

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C E R T I F I C A T I O N

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/s/ Lynn Schmitz

DATE: May 21, 2009

LYNN SCHMITZ

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UNITED STATES BANKRUPTCY COURT
District of Delaware

In Re:

AbitibiBowater Inc.
1155 Metcalfe Street, Suite 800
Montreal
Quebec, H3B 5H2
CANADA
EIN: 98-0526415

Chapter: 11

Ernst & Young, as Monitor

Case No.: 09-11296-KJC

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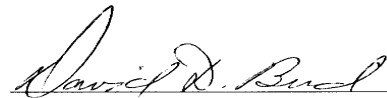
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