

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF
MONTRÉAL

No.: 500-11-036133-094

SUPERIOR COURT

Commercial Division
*Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act,
R.S.C., c. C-36, as amended*

**IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF:**

ABITIBIBOWATER INC., 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 "C";

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 1900, in the City and District of Montréal, Province of Quebec, H3B 1X9;

Monitor

INTRODUCTION

1. On April 17, 2009, Abitibi-Consolidated Inc. (“**ACI**”) and its subsidiaries listed in Appendix “**A**” hereto (collectively with ACI, the “**ACI Petitioners**”) and Bowater Canadian Holdings Incorporated (“**BCHI**”) and its subsidiaries and affiliates listed in Appendix “**B**” hereto (collectively with BCHI, the “**Bowater Petitioners**”) (the ACI Petitioners and the Bowater Petitioners are collectively referred to herein as the “**Petitioners**”) filed for and obtained protection from their creditors under the *Companies’ Creditors Arrangement Act* (the “**CCAA**” and the “**CCAA Proceedings**”) pursuant to an Order of this Honourable Court, as amended on May 6, 2009 (the “**Initial Order**”). Pursuant to an Order of this Honourable Court dated November 10, 2009, Abitibi-Consolidated (U.K.) Inc., a subsidiary of ACI, was added to the list of the ACI Petitioners.
2. Pursuant to the Initial Order, Ernst & Young Inc. (“**EYI**”) was appointed as monitor of the Petitioners (the “**Monitor**”) under the CCAA and a stay of proceedings in favour of the Petitioners was granted until May 14, 2009 (the “**Stay Period**”). The Stay Period has been subsequently extended to ~~July 9,~~[September 30,](#) 2010 pursuant to further Orders of this Honourable Court.
3. On April 16, 2009, AbitibiBowater Inc. (“**ABH**”), Bowater Inc. (“**BI**”), and certain of their direct and indirect U.S. and Canadian subsidiaries, including BCHI and Bowater Canadian Forest Products Inc. (“**BCFPI**”) (collectively referred to herein as the “**U.S. Debtors**”), filed voluntary petitions (collectively, the “**Chapter 11 Proceedings**”) for relief under Chapter 11 of the U.S. Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the “**U.S. Bankruptcy Code**”) in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Bankruptcy Court**”).
4. BCHI, Bowater Canada Finance Corporation (“**BCFC**”), Bowater Canadian Limited, AbitibiBowater Canada Inc., BCFPI, Bowater LaHave Corporation and Bowater Maritimes Inc. have commenced both CCAA Proceedings and Chapter 11 Proceedings

and are referred to herein collectively as the “**Cross-Border Petitioners**” and are also included in the definition of “**Petitioners**”.

5. The Petitioners are all subsidiaries of ABH (ABH, collectively with its subsidiaries, are referred to as the “**ABH Group**”).
6. On April 17, 2009, ABH and the petitioners listed on Appendix “C” hereto (collectively with ABH, the “**18.6 Petitioners**”) obtained Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11 and EYI was appointed as the information officer in respect of the 18.6 Petitioners.
7. On April 16, 2009, ACI and ACCC filed petitions for recognition under Chapter 15 of the U.S. Bankruptcy Code. On April 21, 2009, the U.S. Bankruptcy Court granted the recognition orders under Chapter 15 of the U.S. Bankruptcy Code.
8. On April 22, 2009, the Court amended the Initial Order to extend the stay of proceedings to the partnerships (the “**Partnerships**”) listed in Appendix “D” hereto.

BACKGROUND

9. ABH is one of the world’s largest publicly traded pulp and paper manufacturers. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. The ABH Group owns interests in or operates pulp and paper facilities, wood products facilities and recycling facilities located in Canada, the United States, the United Kingdom and South Korea.
10. 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 are collectively referred to as the “**DCorp Group**”).
11. ACI is a direct and indirect wholly-owned subsidiary of ABH.

12. ABH wholly owns BI which in turn, wholly owns BCHI which, in turn, indirectly owns BCFPI which carries on the main Canadian operations of BI.
13. ACCC, a wholly-owned subsidiary of ACI, and BCFPI hold the majority of ABH's Canadian assets and operations.

TERMS OF REFERENCE

14. In preparing this [amended](#) forty-ninth report of the Monitor (the “**[Amended Forty-Ninth Report](#)**”) in these CCAA Proceedings, the 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 Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this [Amended](#) Forty-Ninth Report. Some of the information referred to in this [Amended](#) Forty-Ninth 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 Handbook, has not been performed. Future-oriented financial information referred to in this [Amended](#) Forty-Ninth 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.
15. Capitalized terms not defined in this [Amended](#) Forty-Ninth Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in U.S. currency and are translated at a rate of CDN\$1.00=US\$0.98 unless otherwise noted.
16. A glossary of the defined terms for the legal entities referred to in the [Amended](#) Forty-Ninth Report is attached as Appendix “**E**”.

17. Copies of all of the Monitor's Reports, in both English and French, including a copy of this [Amended](#) Forty-Ninth Report, and all motion records and Orders in the CCAA Proceedings will be available on the Monitor's website at www.ey.com/ca/abitibowater. The Monitor has also established a bilingual toll-free telephone number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the CCAA Proceedings.
18. Copies of all of the U.S. Bankruptcy Court's orders are posted on the website for Epiq Bankruptcy Solutions LCC ("**Epiq**") at <http://chapter11.epiqsystems.com/abitibowater>. The Monitor has included a link to Epiq's website from the Monitor's website.

PURPOSE

19. The purpose of this [Amended](#) Forty-Ninth Report is to [provide a final](#) report to this Honourable Court with respect to the following:
 - (i) a summary of the transactions giving rise to issuance of the 7.95% unsecured notes issued October 31, 2001 (the "**7.95% Notes**") by BCFC;
 - (ii) a summary of BCFC's intercompany transactions for the three year period prior to the date of the Initial Order and the financial impact of these transactions on BCFC; **and**
 - (iii) the balance sheets of BCFC as at [December 31, 2008 and as at](#) March 31, 2009 **and December 31, 2008;** [and](#)
 - (iv) [the Monitor's observations in respect of the transactions outlined herein.](#)
20. [This Amended Forty-Ninth Report represents the final report of the Monitor in respect of the above-noted intercompany transactions which has been prepared at the request of certain of the holders of the 7.95% Notes. This report has been prepared as an amended report, not a supplemental or additional stand-alone report, due to the complexity of the transactions described herein.](#)

BCFC CREDITOR CLAIMS

21. The trustee for the holders of the 7.95% Notes (the “BCFC Noteholders”) has a direct claim against BI under its guarantee of the 7.95% Notes. The BCFC Noteholders, through their trustee, also have a direct claim against BCFC as issuer of the 7.95% Notes. Certain of the BCFC creditors contend that, in the event of a winding up of BCFC, BCFC may have a contribution claim (the “Contribution Claim”) against BI pursuant to section 135 of the Companies Act (Nova Scotia). In addition to the Contribution Claim, these creditors believe that BCFC may have other potential claims in connection with the use of the proceeds from the issuance of the 7.95% Notes (the “BCFC Intercompany Claims”).
22. On April 16, 2010, two entities that claim to be beneficial owners of 7.95% Notes, Aurelius Capital Management, LP and Contrarian Capital Management L.L.C. (collectively, the “Motion Parties”), filed a motion alleging that the Monitor, the directors of BCFC and counsel for the Petitioners were in a position of irreconcilable conflict of interest, the result of which was in their view that no one was in a position to advance the interests of BCFC in the CCAA Proceedings or in the Chapter 11 Proceedings (the “BCFC Motion”).
23. In addition to requesting that the Monitor be discharged as Monitor of BCFC and seeking declaratory orders in respect of the above-described allegations of conflict of interest, the Motion Parties requested that this Honourable Court order the officers and directors of BCFC to file a voluntary assignment in bankruptcy under the Bankruptcy and Insolvency Act (Canada) appointing a trustee in bankruptcy over the estate of BCFC, or alternatively, to authorize the Motion Parties to appoint an independent and disinterested third-party in respect of BCFC to investigate and report on the assets and liabilities of BCFC, as well as in respect of intercompany transactions that took place in the years preceding the date of filing under the CCAA. On the date of the scheduled hearing, the Motion Parties withdrew their motion.
24. To address any potential conflicts with respect to the resolution of the Contribution Claim and BCFC Intercompany Claims, BCFC and BI obtained Orders from the U.S. Bankruptcy Court authorizing i) the retention and employment of Togut, Segal & Segal LLP (“Togut”) as conflicts counsel to BCFC, ii) the appointment of Lisa Donahue as BCFC's Vice President – Restructuring (“Donahue”), and iii) the retention of Jones Day LLP as conflicts counsel to BI.

25. The Monitor has met with and has had additional discussions with Togut and Donahue in an effort to assist in their review of the transactions outlined herein and their preparation of a report to the U.S. Bankruptcy Court.

26. On September 1, 2010, Donahue filed a Contribution Claim against BI in the amount of “at least” US\$620 million in the Chapter 11 Proceedings. As a result, BI brought a motion in the U.S. Bankruptcy Court, on September 1, 2010, authorizing BI to seek advice and directions from this Honourable Court in respect of the nature and validity of the Contribution Claim.

DOCUMENTS REVIEWED BY MONITOR IN PREPARING THE AMENDED FORTY-NINTH REPORT

27. ~~20. This Forty-Ninth Report represents the interim report of the Monitor in respect of the above-noted intercompany transactions. This report has been prepared on an expedited basis to accommodate the requests of certain of the holders of the 7.95% Notes. The~~As certain of the transactions reviewed by the Monitor occurred as long as nine years ago. Consequently, documents have been difficult to locate and certain individuals involved in the transactions are no longer with the Petitioners. The Petitioners have been very cooperative with the Monitor in respect of the preparation of this Amended Forty-Ninth Report but ~~have not yet been able to locate~~ certain relevant documents (as noted herein) and other documents have only very recently been provided to the Monitor for its review, including certain documents which have been provided immediately prior to the filing of this report and have not yet been reviewed in detail by the Monitor. The Monitor will continue to review the transactions noted herein and any additional documents provided to the Monitor subsequent to the filing of this report and shall prepare a supplemental report if such information or further review materially effects or alters the information provided herein. documents requested by the Monitor have not been located by the Petitioners as noted herein.

~~DOCUMENTS REVIEWED BY MONITOR IN PREPARING THE FORTY-NINTH REPORT~~

28. ~~21.~~In preparing this Amended Forty-Ninth Report the Monitor has reviewed the following documents with respect to certain legal entities (BCHI, BCFC, BCFLP, BCFPI, BPPCI and BCI) as more fully described in this Amended Forty-Ninth Report

including but not limited to: i) audited and unaudited financial statements, ii) minutes of board of director meetings, iii) tax opinions prepared by third parties, iv) the offering circular in respect of the 7.95% Notes, v) ~~BCFC's~~ bank statements of various entities vi) the purchase agreement and the indenture agreement in respect of the 7.95% Notes; vii) the 7.95% Notes prospectus dated December 10, 2001 (the “**Prospectus**”); ~~and~~ viii) certain promissory notes evidencing intercompany balances; viii) press releases; ix) material change reports filed with securities regulators; x) the Alliance Agreement (as defined below); and xi) the Bridge Facility Agreement (as defined below).

EXECUTIVE SUMMARY

29. The following is an overview of the significant transactions that the Monitor will describe in further detail in the following sections of the Amended Forty-Ninth Report.
30. In 2001, BI obtained a third-party bridge loan in the amount of \$500 million to finance the acquisition (the “**Alliance Acquisition**”) of Alliance Forest Products Inc. (“**Alliance**”) through certain of its subsidiaries. As part of the Alliance Acquisition, BI lent money to Alliance (through certain of its subsidiaries) to repay approximately \$274.5 million of Alliance's third party debt.
31. BCFC obtained approximately \$600 million through the issuance of the 7.95% Notes and used those funds to acquire 99% of Bowater Canada Finance Limited Partnership (“BCFLP”) from BI (the remaining 1% was acquired by a wholly-owned subsidiary of BCFC). BI used those funds from the sale of its interest in BCFLP to repay the third-party bridge loan. Subsequent to the Alliance Acquisition, Alliance changed its name to BCFPI.
32. Bowater Pulp and Paper Canada Inc. (“BPPCI”) acquired BCFPI (formerly Alliance) from one of BI's subsidiaries and then amalgamated with BCFPI. The amalgamated entity was named BCFPI. At this point in time, BCFC and BCFPI were affiliates, as they were each indirectly controlled by BI, but neither BCFC nor BCFLP held any equity interest in BCFPI or vice versa.
33. In 2005, BCFPI was indebted to BCFLP in the amount of approximately CDNS\$868 million as a result of a number of advances and the assumption by BCFPI of an intercompany debt

owing to BCFLP to BCHI. This debt was converted into equity through BCFPI's issuance of preferred shares to BCFLP.

34. In 2006, BI transferred a \$400 million intercompany receivable owing by BCFPI to BCHI in exchange for common shares of BCHI. This and other BCFPI debt owing to BCHI (totaling approximately \$643 million) was converted equity through BCFPI's issuance of preferred shares to BCHI.

35. In 2007, ownership of Bowater-Korea Ltd. ("Mokpo"), a wholly-owned subsidiary of BI, was transferred through a series of transactions to BCFPI in order to benefit from lower corporate tax rates in Canada for foreign subsidiaries. As part of those transactions, BCFC contributed its limited partnership units of BCFLP to BCHI in exchange for preferred shares of BCHI. BCFPI acquired BCHI's partnership units in BCFLP in exchange for preferred shares of BCFPI. BCFC's indirect interest in BCFPI was originally through BCFLP which held the preferred shares of BCFPI. After the Mokpo transaction described herein, BCFC indirectly holds an interest in BCFPI through its preferred holdings in BCHI.

TRANSACTIONS GIVING RISE TO ISSUANCE OF 7.95% NOTES

36. ~~22.~~ The following section outlines the series of transactions which resulted from the acquisition of Alliance ~~Forest Products, Inc. ("Alliance")~~ by a subsidiary of BI on September 24, 2001. The purchase of Alliance was primarily financed through a Bridge Facility (as defined later herein) and the issuance of shares of BI. The Bridge Facility was repaid from the proceeds obtained by the issuance of the 7.95% Notes. Alliance subsequently changed its name to BCFPI and, on January 1, 2002, amalgamated with ~~Bowater Pulp and Paper Canada Inc. ("BPPCI")~~. The amalgamated entity retained the name BCFPI.

Alliance Transaction

37. ~~23.~~ On April 1, 2001, BI entered into an arrangement agreement (the "**Alliance Agreement**") with Alliance, which at the time was a major Canadian forest products company, relating to a plan of arrangement pursuant to which Bowater Canada Inc. ("**BCI**"), now known as **AbitibiBowater Canada Inc.**, a wholly-owned subsidiary of BCHI (which in turn is a wholly-owned subsidiary of BI), was to acquire all of the outstanding common shares of Alliance (the "**Alliance Acquisition**"). ~~The Monitor has only recently been provided with a copy of~~

~~the Alliance Agreement which has not yet been reviewed in detail by the Monitor however, the acquisition is described in detail in the Prospectus.~~

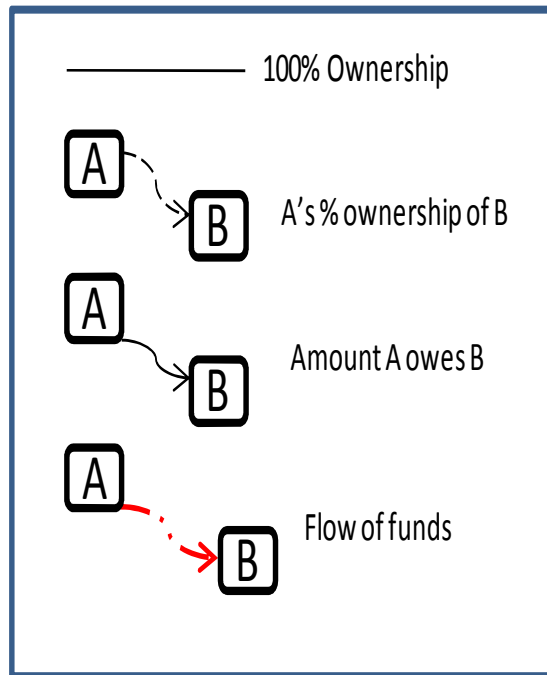
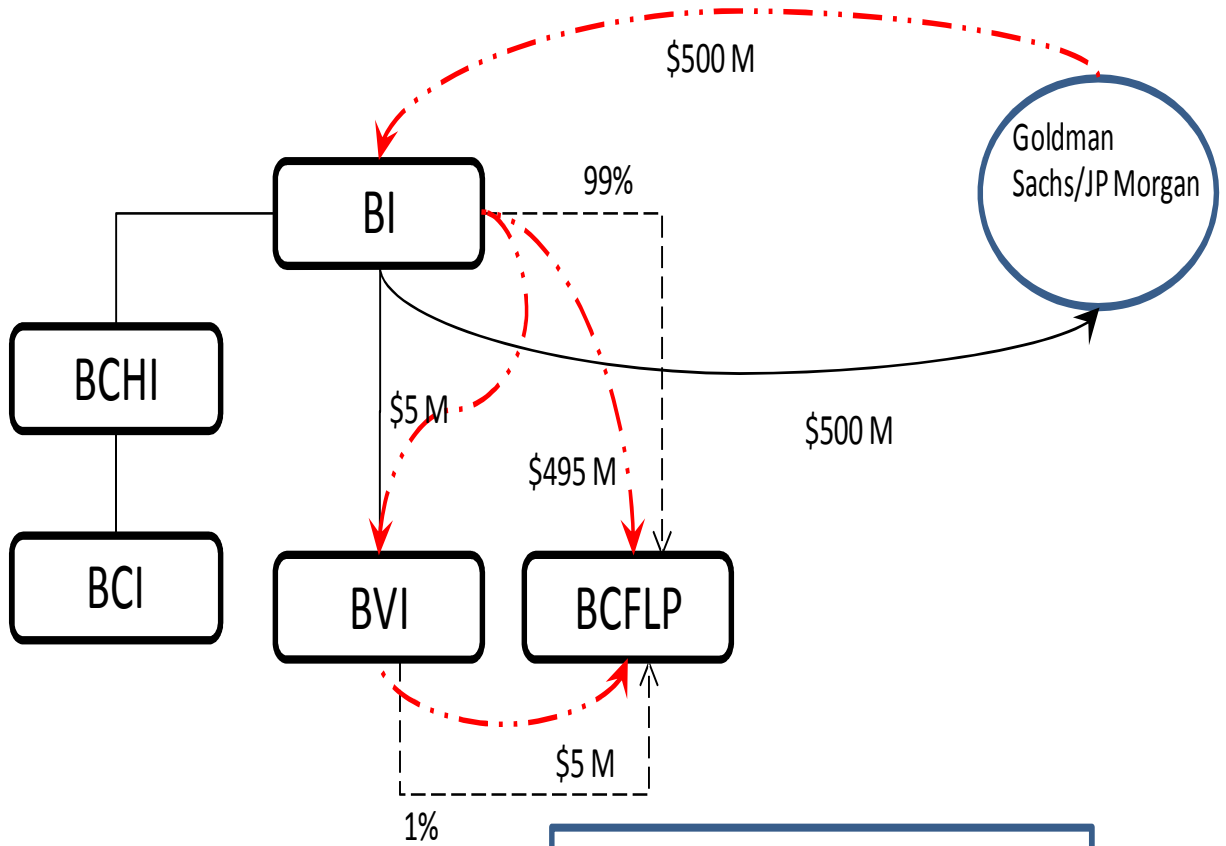
38. ~~24.~~ As further described in this Amended Forty-Ninth Report, ~~the Monitor has been advised that~~ the Alliance Acquisition was completed on September 24, 2001 for a purchase price of approximately \$486 million (approximately \$251 million in cash and the balance in shares of BI). As part of the Alliance Acquisition, BI also loaned money to Alliance through BPPCI (a wholly-owned subsidiary of BCI) to repay approximately \$274.5 million of Alliance's outstanding third party debt (this part of the transaction is more fully described in paragraph ~~36~~50). As a result, the total cash required by BI to fund the transaction was approximately \$525.5 million. The steps in respect of the purchase of Alliance are described in greater detail in the following paragraphs.

The Bridge Financing and the Flow of Funds

39. ~~25.~~ The cash component of the Alliance Acquisition and the debt repayment was principally financed by advances pursuant to a bridge credit agreement dated July 12, 2001 (the "Bridge Facility Agreement") between BI and Goldman, Sachs Credit Partners, L.P. and J.P. Morgan Securities Inc., as co-arrangers in the maximum amount of \$500 million (the "**Bridge Facility**"). ~~The Monitor has only recently been provided with a copy of the agreement evidencing the Bridge Facility which has not yet been reviewed in detail by the Monitor, however, the Offering Circular (as defined below) and the Prospectus makes reference to the details noted herein.~~

40. ~~26.~~ On September 24, 2001, the same day the Alliance acquisition closed, BI, ~~using the proceeds from~~ used the Bridge Facility, ~~purchased to purchase~~ from of Bowater Ventures Inc. ("**BVI**") for \$5 million. BVI subsequently used these funds to subscribe for general partnership units in ~~Bowater Canada Finance Limited Partnership ("BCFLP")~~ at a cost of \$5 million, each pursuant to the subscription agreements dated September 24, 2001. BCFLP ~~which~~ was formed under the *Limited Partnership Act* (New Brunswick) with BVI (a wholly-owned subsidiary of BI) as the general partner and BI as the limited partner.

41. ~~27.~~ Pursuant to a subscription agreement dated September 24, 2001, BI, using the proceeds from the Bridge Facility, also subscribed for limited partnership units of BCFLP at a cost of \$495 million. As a result of these subscriptions, BCFLP had \$500 million in cash.
42. ~~28.~~ The corporate structure prior to the purchase of Alliance, but as a result of the transactions described in paragraphs ~~25~~39-2741 in preparation for the closing of the Alliance Acquisition, was as summarized below:



43. ~~29.~~ Alliance's name was changed to BCFPI on September 24, 2001.

Payment of Purchase Price to Alliance Stakeholders

44. ~~30.~~ The transactions in this section relate to the transfer of BI shares and the flow of funds from BCFLP to the owners of Alliance.

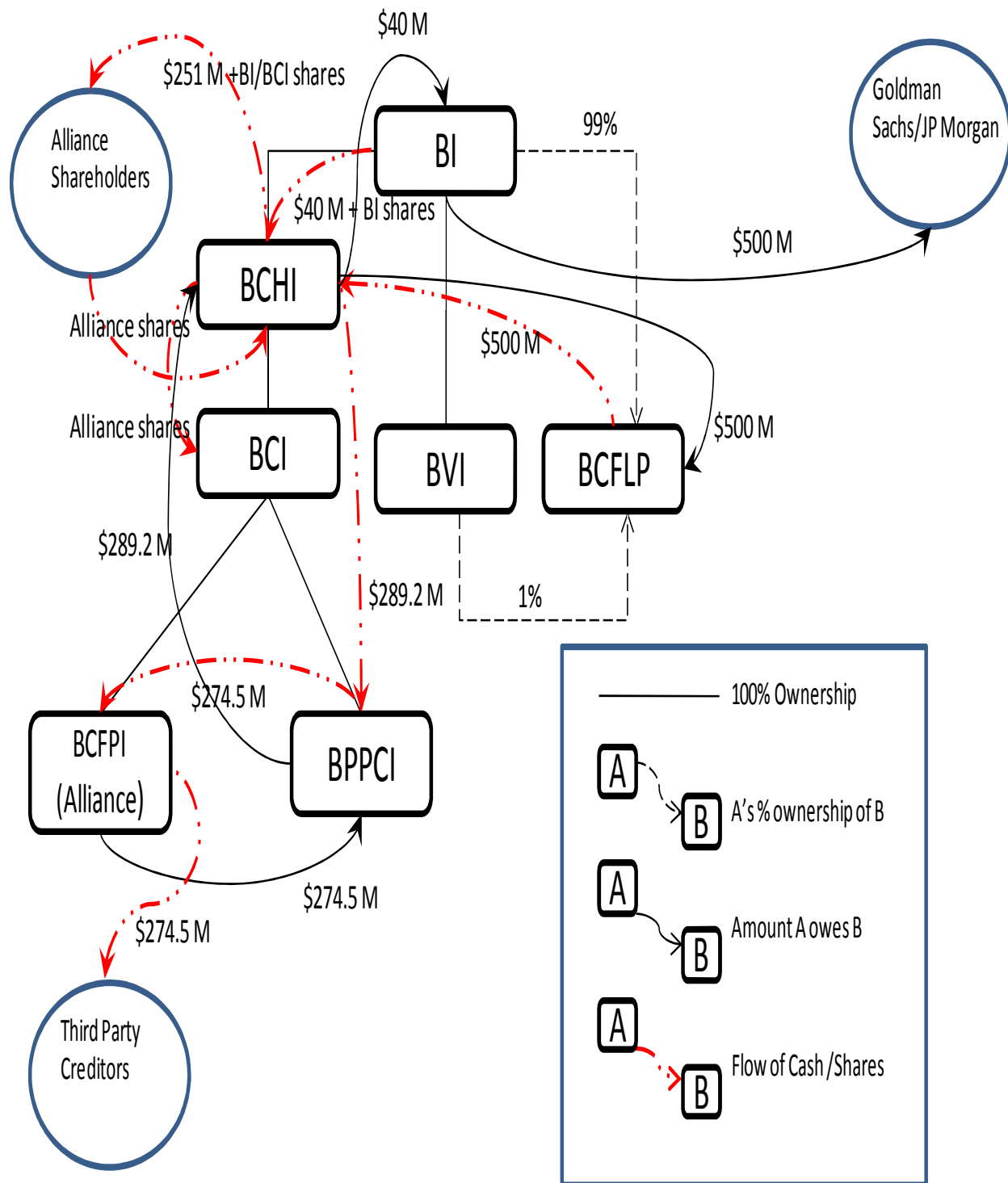
45. ~~31. The Monitor was advised by Management that~~ BI transferred approximately 4.2 million BI shares with a value of approximately \$173 million to BCHI in consideration for additional BCHI shares ~~on September 21, 2001.~~ This transaction was in anticipation of the closing of the Alliance Acquisition, pursuant to a subscription agreement between BI and BCHI dated September 24, 2001.

46. ~~32.~~ As evidenced by a promissory note dated September 24, 2001, BCFLP ~~advanced~~ loaned \$500 million to BCHI (the "**BCFLP/BCHI Note**"). BCHI is a non-operating subsidiary of BI. The BCFLP/BCHI Note had a maturity date of September 24, 2007 and an interest rate equal to the Floating Rate (as defined therein) plus 97.5 basis points.

47. ~~33.~~ As evidenced by a promissory note dated September 24, 2001, BCHI also borrowed approximately \$40.2 million from BI (the "**BI/BCHI Note**"). The BI/BCHI Note had a maturity date of September 24, 2007 and an interest rate equal to the Floating Rate (as defined therein) plus 97.5 basis points. The two advances (from BCFLP and BI) provided BCHI with approximately \$540 million of cash, sufficient to fund the cash payable on closing of the Alliance Acquisition.

48. ~~34. The Monitor was advised~~ As evidenced by the ~~Petitioners that~~ Form 8-K filed by BI on September 24, 2001, ~~BCHI paid approximately \$251 million plus the BI shares (as noted in paragraph 31) to~~ 2001 with the US Securities and Exchange Commission, the Alliance shareholders received approximately \$251 million plus approximately 4.2 million shares of BI and 850,000 exchangeable shares of BCI (exchangeable for shares of BI plus accrued dividends) through their depository agent. In return, BCHI received the shares of Alliance which were then contributed by BCHI to its wholly-owned subsidiary BCI in exchange for additional shares of BCI.

49. ~~35.~~ As evidenced by a promissory note dated September 24, 2001, BCHI also loaned approximately \$289.2 million to BPPCI (the “**BPPCI Note**”). The BPPCI Note has a stated maturity date of September 24, 2007 and an interest rate equal to the Floating Rate (as defined therein) plus 107.5 basis points.
50. ~~36.~~ As noted earlier in this Amended Forty-Ninth Report, on September 24, 2001, BPPCI used the funds loaned from BCHI to loan approximately \$274.5 million to BCFPI (to repay certain of Alliance’s outstanding debts) as evidenced by a promissory note dated September 24, 2001 (the “**BCFPI Note**”). The BCFPI Note has a stated maturity date of September 24, 2007 and an interest rate equal to the Floating Rate (as defined therein) plus 117.5 basis points.
51. ~~37.~~ The change in the corporate structure, as a result of the transactions described in paragraphs ~~31-36,45-50~~, was as summarized below:



Creation of BCFC and Issuance of the 7.95% Notes

52. ~~38.~~ BCFC is an unlimited liability company organized under the laws of the Province of Nova Scotia and was incorporated on October 19, 2001. The Monitor was advised by the Petitioners that BCFC is a non-operating company and a wholly-owned subsidiary of BI.
53. ~~39.~~ On October 31, 2001, pursuant to an indenture agreement and a purchase agreement, each dated October 31, 2001 (collectively, the “**7.95% Note Agreements**”), BCFC issued and sold the 7.95% Notes with a face value of \$600 million and with a maturity date of November 15, 2011. The Monitor was advised by the Petitioners that the 7.95% Notes, ~~which~~ yielded net proceeds of \$594.2 million (\$600 million less discounts and underwriters’ fees). The 7.95% Notes are fully and unconditionally guaranteed by BI. The offering was structured, as described later herein, such that the proceeds would be used by BI to repay the Bridge Facility incurred in respect of the Alliance Acquisition.
54. ~~40.~~ Interest on the 7.95% Notes was payable on May 15 and November 15 of each year commencing on May 15, 2002. As evidenced by the Minutes of the Board of Directors of BCFC for the years 2006 to 2009, BI funded the interest payments on the Notes until the date of the ~~Petition~~ Initial Order through equity injections into BCFC. The BCFC bank statements for the period May 1, 2006 to April 30, 2009 show receipts from BI and payments to an account at the Bank of New York, both in the amount of approximately \$23.9 million on May 15th and November 15th each year prior to the CCAA filing.
55. ~~41.~~ BCFC, through its offering circular dated October 31, 2001 (the “**Offering Circular**”), advised potential investors that the 7.95% Notes would be BCFC’s senior obligations and would rank equally with other senior unsecured debt of BCFC, if any. The Offering Circular advised investors that BI’s guarantee of the 7.95% Notes would rank equally with BI’s other senior unsecured debt which totalled \$1.8 billion as at September 30, 2001.
56. ~~42.~~ The Offering Circular also advised potential investors that i) BCFC and its wholly-owned non-operating subsidiary Bowater Canada Treasury Corporation (“**BCTC**”) would use the proceeds from the 7.95% Notes to acquire BCFLP from BI and BVI, respectively; ii) BCFLP was formed to facilitate the financing of the Alliance Acquisition and to recapitalize BCHI and BCI; and iii) BI and BVI would use the proceeds from the sale of BCFLP to repay all

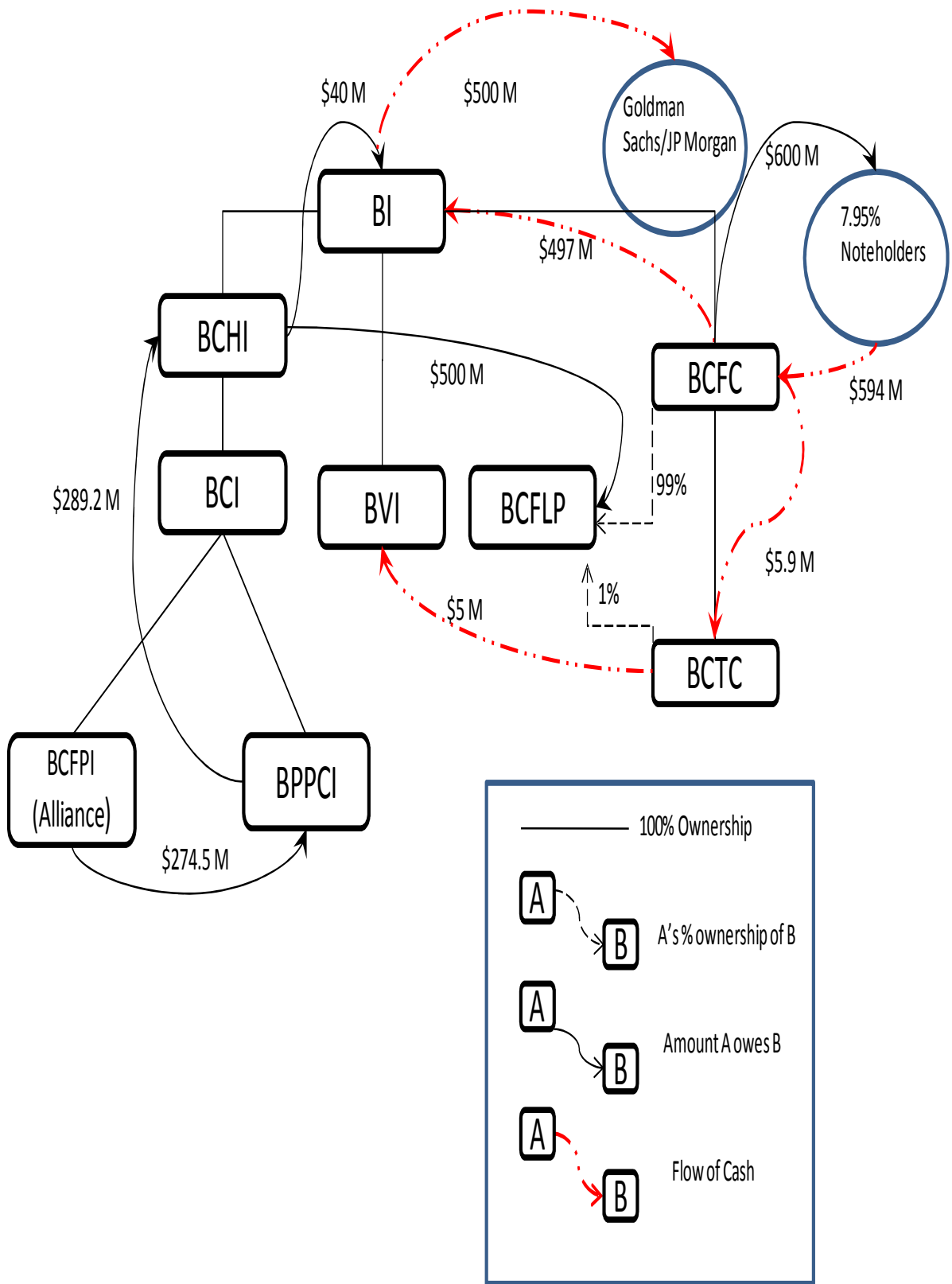
amounts outstanding under the Bridge Facility and to repay other short-term borrowings of BI.

Use of the Proceeds from the 7.95% Notes

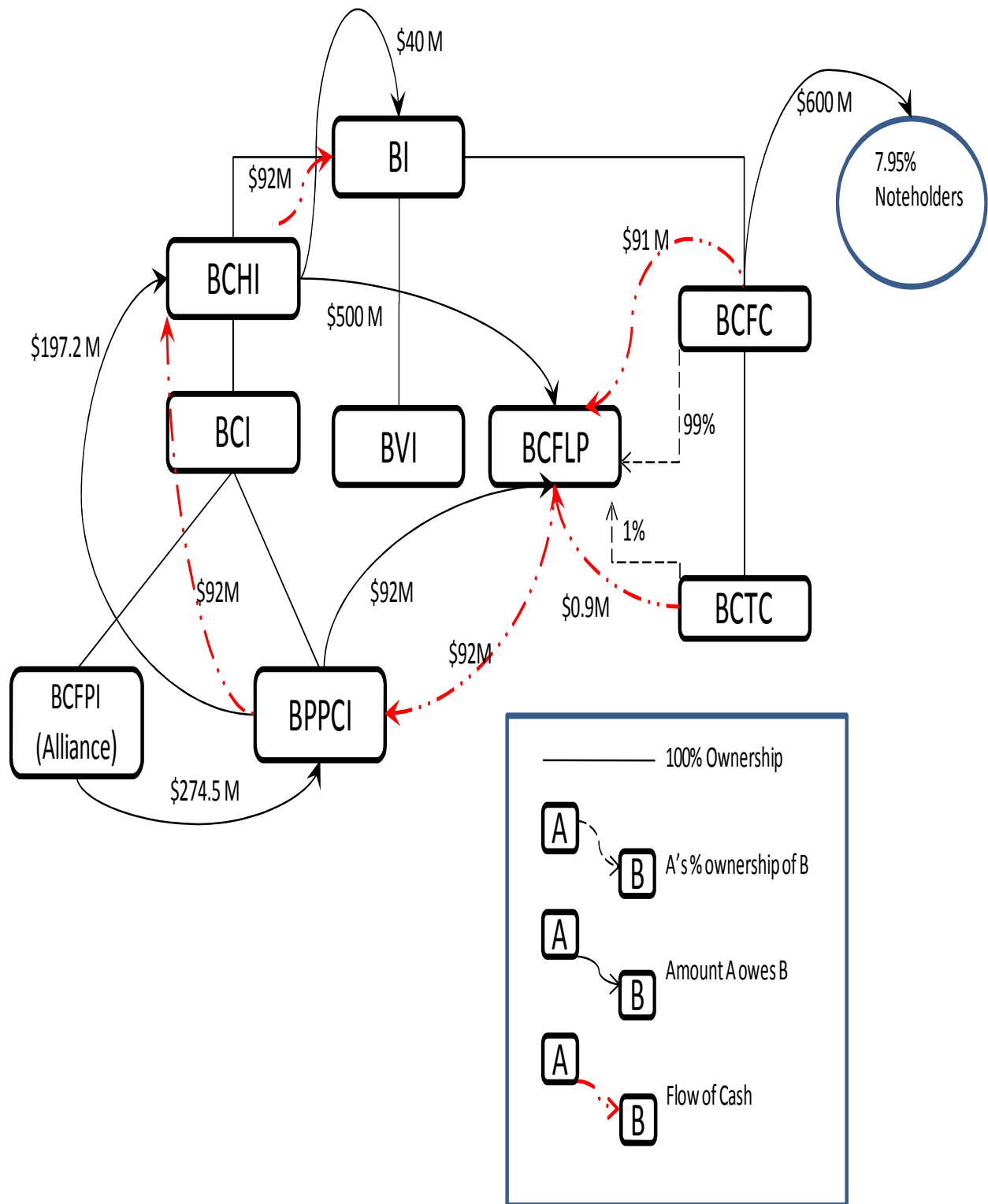
57. ~~43.~~ Pursuant to a subscription agreement dated November 6, 2001, BCFC used approximately \$5.9 million of the proceeds from the issuance of the 7.95% Notes to purchase shares of BCTC. Pursuant to a transfer agreement of the same date, BCTC used these funds to acquire 1% of BCFLP from BVI for approximately \$5 million.

58. ~~44.~~ On November 9, 2001, BCFC used certain of the proceeds from the 7.95% Notes to acquire 99% of BCFLP from BI for approximately \$497.2 million, pursuant to a transfer agreement. BI used these funds to repay the Bridge Facility in accordance with an extraordinary resolution of the shareholders dated November 6, 2001.

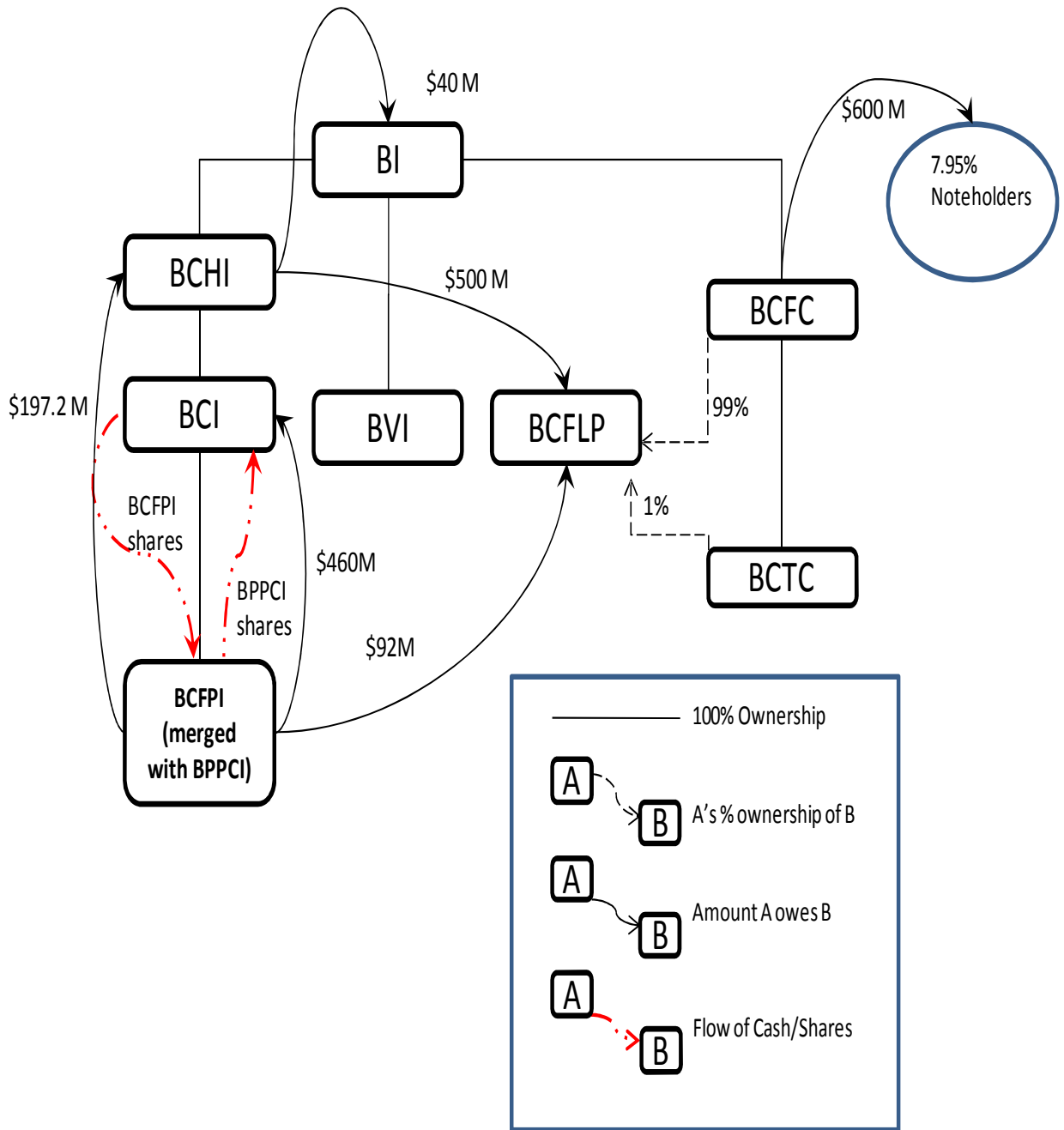
59. ~~45.~~ The change in the corporate structure, as a result of the transactions described in paragraphs ~~39, 43~~ 53, 57 and ~~44, 58~~, was as summarized below:



60. ~~46.~~ On November 6, 2001, BCTC subscribed for additional units of BCFLP for \$0.9 million as evidenced by the subscription agreement between BCTC and BCFLP dated November 6, 2001.
61. ~~47.~~ On the same date, BCFC paid \$91 million to BCFLP to subscribe for additional units of BCFLP as evidenced by the subscription agreement between BCFC and BCFLP dated November 6, 2001.
62. ~~48.~~ On November 6, 2001, upon receipt of funds from BCFC and BCTC, BCFLP loaned approximately \$92 million to BPPCI as evidenced by a promissory note dated November 6, 2001 (the “**BCFLP/BPPCI Note**”). The BCFLP/BPPCI Note has a stated maturity date of November 15, 2011 and an interest rate of 8.05% per annum.
63. ~~49.~~ BPPCI used those funds to make a partial prepayment in the amount of approximately \$92 million in respect of its intercompany indebtedness to BCHI pursuant to the BPPCI Note. As a result of this partial prepayment, BPPCI issued to BCHI, an amended and restated promissory note in the amount of \$197.2 million with a stated maturity date of November 15, 2011 and an interest rate equal to 8.15% per annum.
64. ~~50.~~ BCHI loaned the funds received from BPPCI to BI in exchange for a promissory note issued by BI in the amount of approximately \$92 million dated November 6, 2001 (the “**BI/BCHI Note**”). The BI/BCHI Note has a stated maturity date of November 15, 2011 and an interest rate of 8.25% per annum. The BI/BCHI Note was subsequently distributed to BI as part of a reduction of paid-up capital.
65. ~~51.~~ The change in the corporate structure, as a result of the transactions described in paragraphs ~~46-50~~, 60-64, was as summarized below:



66. ~~52.~~ Pursuant to a share transfer agreement dated November 30, 2001, BPPCI purchased all of the issued and outstanding common shares of BCFPI from BCI in exchange for 100 common shares of BPPCI and notes in the principal amounts of \$81.5 million (the “BCI/BPPCI Note”) and \$343 million (the “BCI/BPPCI Note2”) and a further note equal to the Alliance Amounts (as defined in the share transfer agreement), being \$35.5 million (the “Alliance Note”). In summary, the total consideration paid was 100 common shares of BPPCI and \$460 million in notes payable to BCI in exchange for the BCFPI shares.
67. ~~53.~~ Pursuant to an amalgamation agreement, BPPCI amalgamated with BCFPI effective as of January 1, 2002. The amalgamated entity retained the name BCFPI. As a result of the merger, the intercompany loan between BCFPI and BPPCI was eliminated but the debt owing by BPPCI to BCFLP (\$92 million) remained.
68. ~~54.~~ As a result of the transactions described in ~~paragraphs 52 and 53~~ paragraph 66 and after the amalgamation of BPPCI and BCFPI ~~on January 1, 2002,~~ the corporate structure as a result of these transactions was as described below:



Prior Involvement of Ernst & Young

69. ~~55.~~ The Monitor notes that Ernst & Young's U.S. affiliate ("EY LLP") was engaged by BI to provide tax consulting services. The Monitor has been advised by EY U.S. LLP that the services provided involved the issuance of opinions on January 16, 2002 with respect to the tax consequences relating to the cross-border structure utilized to finance the purchase of Alliance. The opinions rendered by EY U.S. LLP were delivered after the purchase of Alliance was completed.

Funding of BCFPI

~~56.~~ The BCFLP/BCHI Note was transferred to BCFPI with the approval of BCFLP, and, as such, BCFPI assumed responsibility for the \$500 million BCFLP/BCHI Note previously payable by BCHI.

~~57.~~ The following transactions are documented in the resolution of the partners of BCFLP dated November 9, 2005. The Monitor has not been provided with any additional documents in respect of these advances and has not traced the original source of the funds so advanced.

~~58.~~ On June 28, 2002, BCFLP advanced an additional \$33.2 million to BCFPI and a further \$33.3 million on December 17, 2002.

~~59.~~ On June 30, 2003, BCFLP advanced an additional \$26.1 million to BCFPI and a further \$27.1 million on December 30, 2003. On June 30, 2004, BCFLP advanced an additional \$28.2 million to BCFPI.

2001-2004 Transactions

70. ~~60.~~ Attached as Appendix "F" is a summary of certain transactions which occurred between November 2001 and June 2004. In summary, while the Monitor has not yet traced the source of ~~these~~the advances, after ~~these advances totalling~~BCFLP advanced \$147.9 million to BCFPI and ~~the transfer of~~transferred the BCFLP/BCHI Note from BCHI to BCFPI, BCFPI was indebted to BCFLP in the approximate amount of \$739.9 million. On November 9, 2005, these amounts were converted to Canadian dollars on the books of BCFLP in the approximate amount of CDN\$867.8 million.

~~61. As a result of the transactions described in paragraphs 56 to 60, the corporate structure as a result of these transactions was as described below:~~

Sale of Accounts Receivable to BCI

~~62. On November 30, 2001, BCFPI sold approximately \$293 million of accounts receivable from Bowater Alabama to BCI in exchange for a note. This note was later used to offset the notes owing to BCI such that the remaining debt to BCI was approximately \$167 million.~~

~~63. The change in the corporate structure, as a result of the transactions described in paragraph 62, was as summarized below:~~

INTERCOMPANY TRANSACTIONS IN THE THREE YEAR PERIOD PRIOR TO INITIAL ORDER

71. ~~64.~~ The Monitor has reviewed the significant intercompany transactions involving BCFC during the three year period preceding the Petition. The Monitor has also reviewed other material non-trade intercompany transactions that have impacted BCFC.

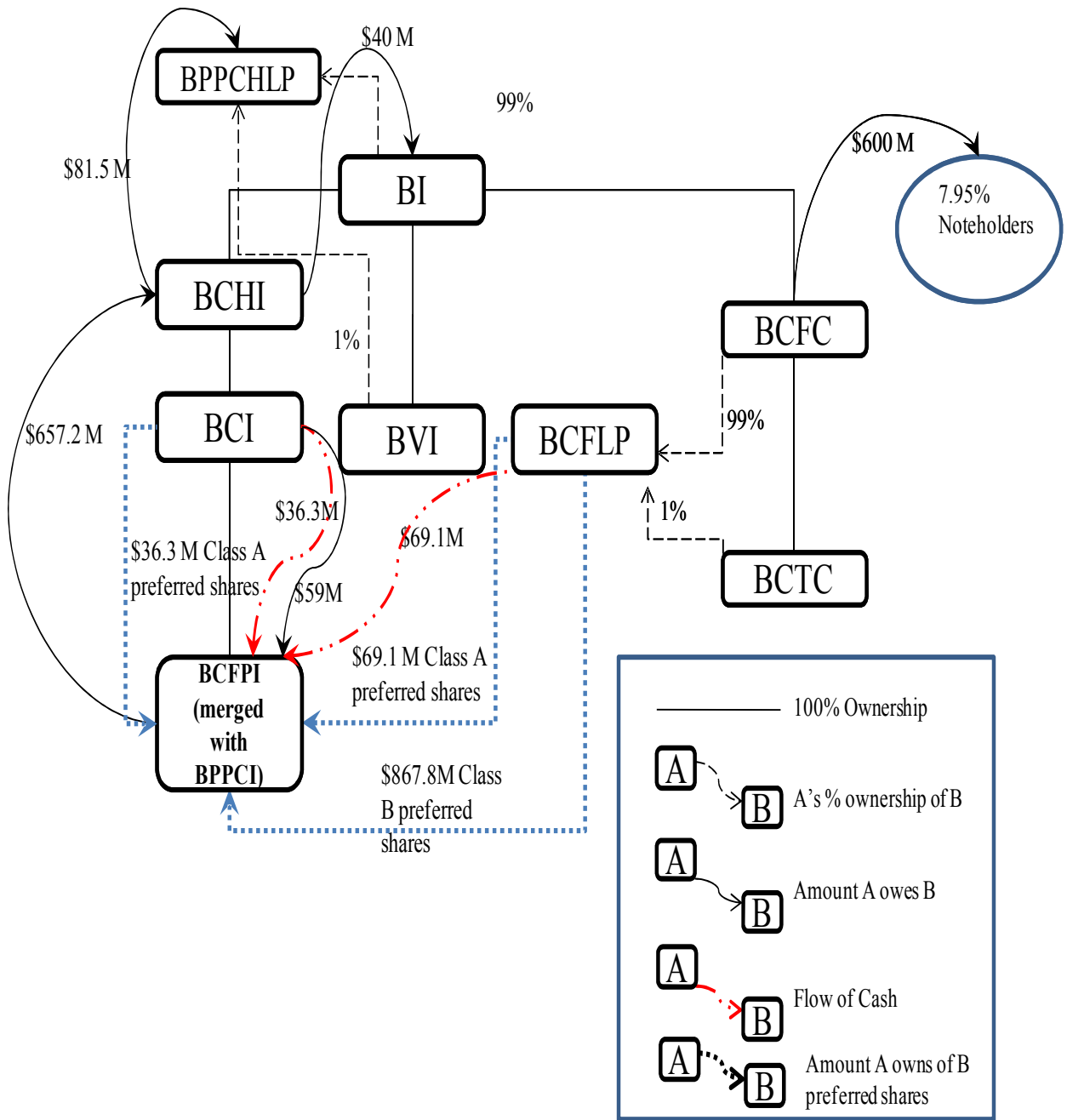
BCFLP Equity Conversion

72. On December 16, 2004 as evidenced by the publicly filed BCFPI financial statements for year ended December 31, 2004, BCI purchased 36.3 million Class A preferred shares of BCFPI for \$36.3 million.

73. ~~65.~~ As evidenced by the June 30, 2005 Resolution of the Board of Directors of BCFPI, ~~on June 30,~~ (then wholly-owned by BCI), and the publicly filed BCFPI financial statements for year ended December 31, 2005, BCFLP (then 99% owned by BCFC) purchased 36.2 million Class A preferred shares of BCFPI. On December 23, 2005, \$731 million (~~Cdn~~CDN\$867.8 million) of long-term advances (as described in paragraph ~~60~~69 above) owed to BCFLP by BCFPI were cancelled in exchange for the issuance of \$867.8 million Class B preferred shares of BCFPI (the “BCFLP Equity Conversion”).

74. ~~66.~~ As evidenced by the December 30, 2005 Resolution of the Board of Directors of BCFPI, ~~on~~ and the publicly filed BCFPI financial statements for year ended December ~~30,~~31, 2005, BCFLP purchased an additional \$32.87 million worth of Class A preferred shares of BCFPI. In total, BCFLP purchased \$69.1 million of Class A preferred shares of BCFPI. ~~The Monitor has not yet traced the original source of the funds used to purchase these shares~~ These transactions, as evidenced by the BCFLP bank statements, were funded through transfers from BI to BCFLP.

75. ~~67.~~ The change in the corporate structure, as a result of the transactions described in paragraphs ~~65-66,~~72 to 74, was as summarized below:



76. ~~68.~~ The audited financial statements for BCFPI for the year ended December 31, 2005 also show a liability of approximately CDN\$640 million owing to BI in respect of advances from BI to BCFPI. The Monitor understands these advances were under a grid note from BI that funded BCFPI's working capital and cash flow requirements. This amount is not included in the chart above.

Impact of BCFLP Equity Conversion

77. ~~69.~~ BCFC's most significant asset, at the time of the transactions described in paragraphs ~~69~~68 and ~~70~~69, was its ownership of BCFLP. BCFLP was a creditor of BCFPI (operating entity) prior to the conversion of the obligations owed by BCFPI to BCFLP to preferred shares. Therefore, the Monitor examined the financial statements of BCFPI to determine the impact of the conversion of BCFPI debt to preferred shares of BCFPI. For reference, attached as Appendix "~~FG~~" are the annual financial statements for BCFPI for the year ending December 31, 2005.

78. ~~70.~~ For the year ended December 31, 2004, the audited financial statements for BPPCI (which includes the consolidated results of BCFPI) indicated a net book value (assets less liabilities) of approximately CDN\$300 million. The publicly available audited financial statements for BCFPI, a reporting issuer, for the year ended December 31, 2005 indicate that BCFPI had losses for the year of approximately CDN\$352 million and a net book value (assets less liabilities) of approximately CDN\$882 million as at December 31, 2005, after the debt to preferred shares conversion.

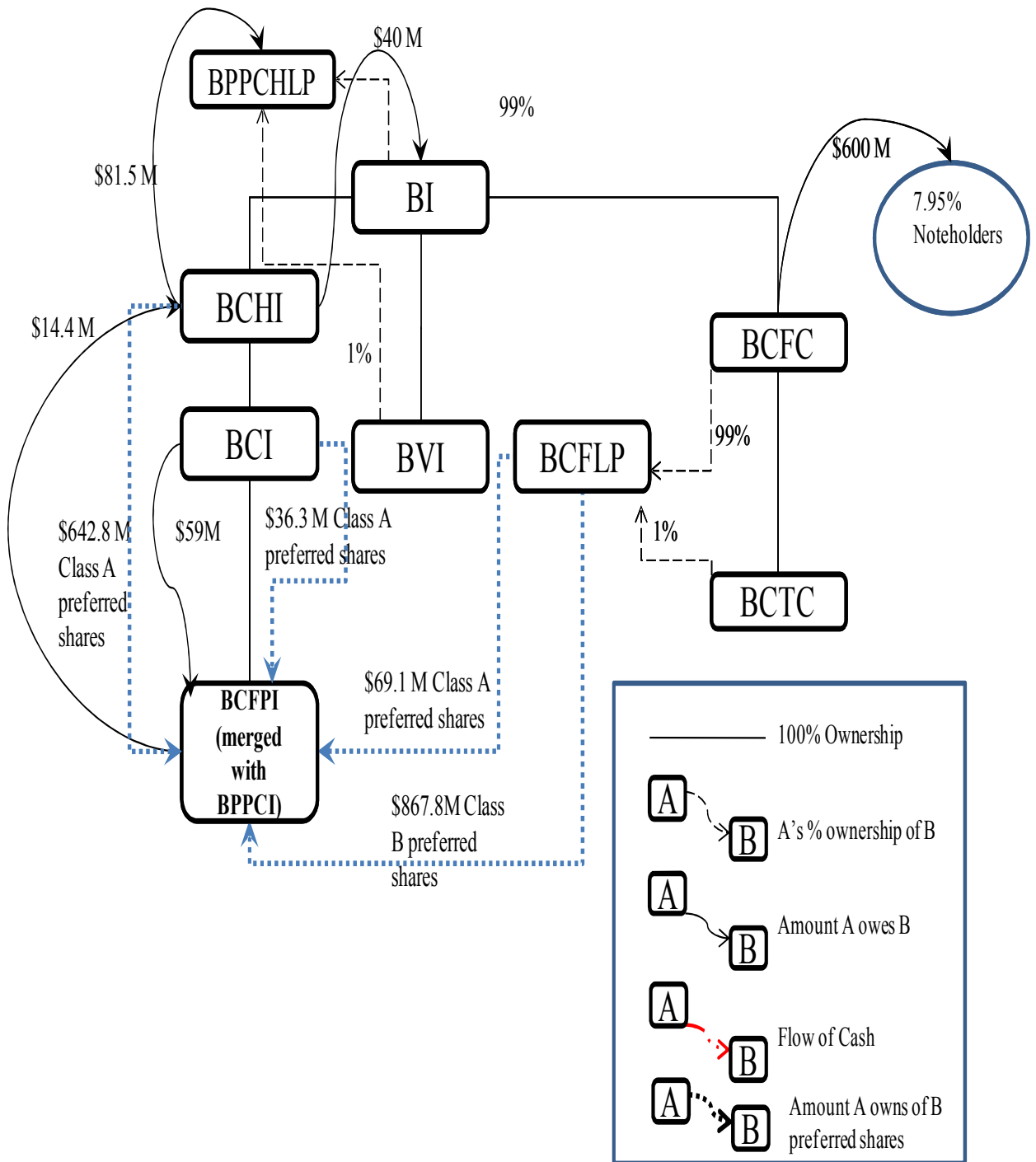
BCHI/BCFPI Recapitalization

79. ~~71.~~ ~~On~~As stated in BCFPI's publicly filed financial statements for the three month period ending March 31, 2006, on February 28, 2006, ~~BI transferred an intercompany receivable from BCFPI to BCHI in the amount of \$400 million (referred to in paragraph 68 but not included in the preceding chart) in exchange for common shares of BCHI. As a result, BCFPI owed approximately \$400 million to BCHI as opposed to BI. These advances~~\$642.8 million of advances owing from BCFPI to BCHI were contemporaneously cancelled in exchange for the issuance of ~~455.2~~\$642.8 million of Class A preferred shares of BCFPI to BCHI leaving a net intercompany payable of \$14.4 million.

~~72. In addition, notes totalling approximately \$164.8 million of the \$197.2 owing to BCHI by BCFPI were also cancelled by BCHI in exchange for approximately 187.6 million Class A preferred shares of BCFPI, leaving a net intercompany payable of \$32.4 million.~~

~~73. These transactions resulted in the conversion of notes and advances owed to affiliates by BCFPI totalling \$564.8 million to approximately 642.8 million Class A preferred shares of BCFPI.~~

80. ~~74.~~ The change in the corporate structure, as a result of the transactions described in ~~paragraphs 71-73,~~[paragraph 79](#), was as summarized below:



81. ~~75.~~ The effect of these transactions was to strengthen BCFPI's balance sheet. For the year ended December 31, 2006, BCFPI had a net loss of \$51 million (according to the audited financial statements) and a net book value (assets less liabilities) of approximately \$1,477 million which was primarily due to the conversion of the \$867.8 million owing to BCFLP and \$564.8 million owing to BCHI (total debt of \$1,432.6 million) into preferred shares as noted above.

MOKPO

82. ~~76.~~ The effect of the following transactions was the transfer of ~~Bowater Korea Ltd.~~ ("Mokpo") a wholly-owned subsidiary of BI (a U.S. company) to BCFPI (a Canadian company) in order to benefit from lower corporate tax rates in Canada for foreign subsidiaries.

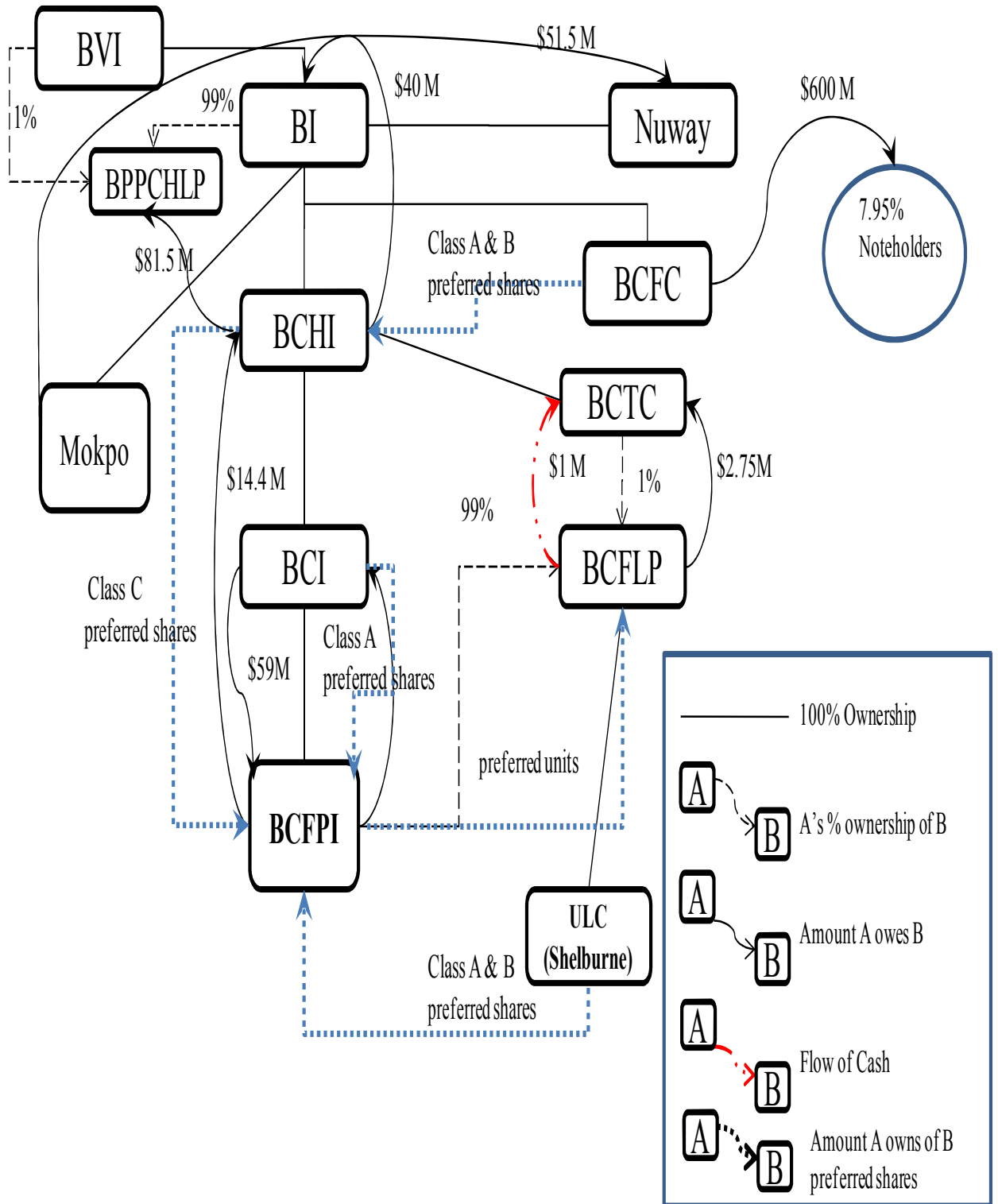
83. ~~77.~~ Prior to 2007, Mokpo was a wholly-owned subsidiary of BI which operated a paper mill and recycling plant in Mokpo, South Korea. Mokpo was indebted to Bowater Nuway Inc. ("Nuway"), a wholly-owned subsidiary of BI, in respect of a bond in the amount of \$51.5 million. The Petitioners ~~have not yet located~~ were unable to locate a copy of the bond indenture for the Monitor's review, but reference was made to same in an early repayment agreement dated January 9, 2007.

84. ~~78.~~ In January 2007, ownership of Mokpo was transferred to BCFPI through a series of transactions (the "**Mokpo Transaction**").

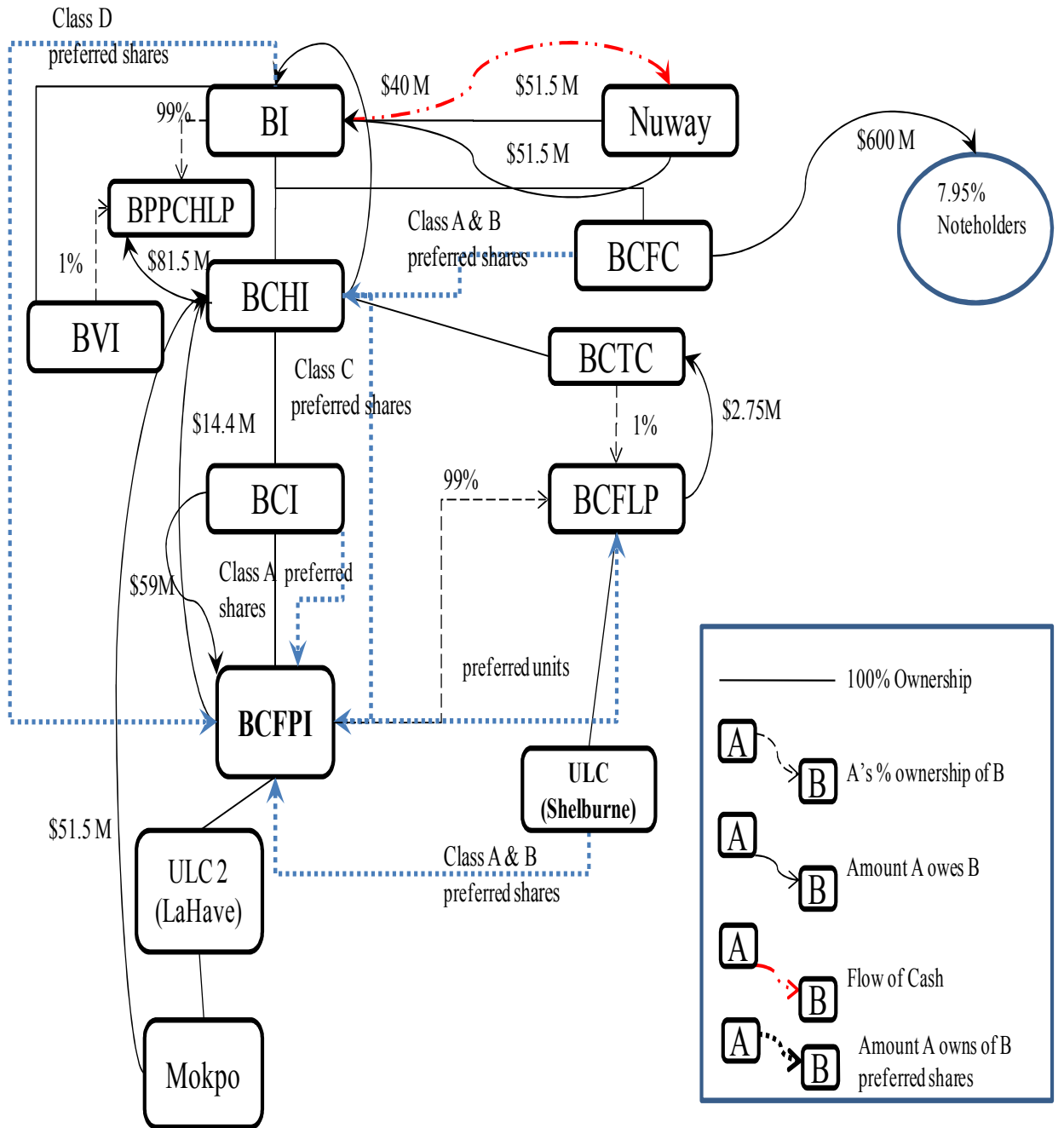
85. ~~79.~~ Prior to the Mokpo Transaction, BCTC was a wholly-owned subsidiary of BCFC. BCFC and BCTC together owned 100% of the partnership units of BCFLP. According to BCFLP's financial statements for the year ended December 31, 2006, BCFLP listed as assets an interest receivable in the amount of \$290,000 and also Class A and Class B preferred shares of BCFPI.

86. ~~80.~~ While BCTC retained its 1% interest in the partnership units of BCFLP, BCFC contributed its limited partnership units of BCFLP to BCHI in exchange for Class A voting preferred shares of BCHI, pursuant to a transfer agreement dated January 19, 2007.

87. ~~81.~~ BCFLP created a Nova Scotia unlimited liability company named Bowater Shelburne Corporation (“**Shelburne**”) and, pursuant to a transfer agreement dated January 19, 2007, transferred its Class A and Class B preferred shares in BCFPI to Shelburne in exchange for member units of Shelburne. As a result, BCFLP ~~no longer directly~~indirectly owned the preferred shares of BCFPI through Shelburne.
88. ~~82.~~ BCFPI was changed from a corporation incorporated under the *Canada Business Corporations Act* into a Nova Scotia corporation. Pursuant to a transfer agreement dated January 19, 2007, BCFPI then acquired the limited partnership units of BCFLP from BCHI (formerly owned by BCFC) in exchange for Class C preferred shares of BCFPI.
89. ~~83.~~ As evidenced by a transfer agreement dated January 19, 2007, BCFC contributed its holdings in BCTC to BCHI in return for a stated equivalent fair market value amount (\$10.5 million), as determined by BCFC and BCHI, of Class B preferred shares of BCHI. As a result, the primary asset retained by BCFC was the preferred shares of BCHI.
90. ~~84.~~ As evidenced by the Resolution of the General Partner of BCFLP, BCFLP (now a wholly-owned subsidiary of BCFPI) distributed \$375 million to BCFPI and BCTC (the “**Distribution**”) on a pro-rata basis by way of a return of a portion of their respective capital contributions. The Distribution owing to BCFPI was satisfied by the issuance of preferred return partnership units by BCFLP to BCFPI. The Distribution owing to BCTC (one percent (1%)) was satisfied by payment of \$1 million and a \$2.75 million note issued by BCFLP to BCTC (the “**BCFLP Note**”). The BCFLP Note had an interest rate of 7.5% and was payable within one year from the date of issuance.
91. ~~85.~~ The change in the corporate structure, as a result of the transactions described in paragraphs ~~80-84~~,86 to 90, was as summarized below:



92. ~~86.~~ BI loaned \$51.5 million to Nuway in exchange for a promissory note. Pursuant to a note subscription agreement dated January 19, 2007, Nuway agreed to loan those funds to Mokpo in exchange for a promissory note dated January 19, 2007 (the “**Mokpo Note**”). This loan was in addition to the existing \$51.5 million bond owed by Mokpo previously outstanding in favour of Nuway. Mokpo used these funds to retire the bond outstanding to Nuway. Nuway then used those funds to repay the loan initially granted by BI. As a result, the bond formerly payable by Mokpo to Nuway was replaced by the Mokpo Note.
93. ~~87.~~ BI incorporated a new Nova Scotia unlimited liability company named Bowater LaHave Corporation (“**LaHave**”) and transferred its shares in Mokpo to LaHave, pursuant to a transfer agreement dated January 19, 2007, in exchange for member units of LaHave. Pursuant to a transfer agreement dated January 19, 2007, BI then contributed its interest in LaHave to BCFPI in exchange for Class D preferred shares of BCFPI.
94. ~~88.~~ Nuway declared a dividend in the amount of \$51.1 million to BI as the holder of its common shares. The dividend was satisfied by Nuway’s contribution to BI of the receivable owing in respect of the Mokpo Note. Pursuant to a transfer agreement dated February 15, 2007, BI then contributed this receivable to BCHI in return for 1.9 million additional common shares of BCHI. As a result, BCHI obtained the Mokpo Note payable by Mokpo in the amount of \$51.5 million in return for the issuance of common shares of BCHI.
95. ~~89.~~ The change in the corporate structure, as a result of the all of the transactions described in paragraphs ~~80-88,~~92 to 94, was as summarized below:



96. At no time did BCFC directly hold an interest in BCFPI. BCFC's indirect interest in BCFPI was originally through BCFLP which held the preferred shares of BCFPI. After the Mokpo Transaction, BCFC indirectly holds an interest in BCFPI through its preferred holdings in BCHI.

97. ~~90. BCFC's indirect interest in BCFPI was originally through the preferred shares of BCFPI held by BCFLP and now is through its preferred holdings in BCHI.~~ In addition, the value of BCFPI was increased through ~~this transaction~~ the Mokpo Transaction by the addition of Mokpo. According to the BCFPI quarterly financial statements for the three months ending March 31, 2007, Mokpo had a net book value (assets less liabilities) of approximately \$200 million ~~at that~~ the time of the Mokpo Transaction.

BCFC BALANCE SHEETS

98. ~~91.~~ The Monitor was provided with the balance sheets for BCFC as at March 31, 2009 and ~~for~~ as at December 31, 2008 which are summarized in the table below:

(\$000's)	As at March 31, 2009	As at December 31, 2008
ASSETS		
Current assets:		
Cash	1	2
Deferred Financing Expense	1,246	1,364
Investment in Subsidiary - BCHI	818,916	818,916
Total Assets	820,163	820,282
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued Interest	17,874	5,949
Accounts Payable Affiliate	121,626	121,638
Long Term Debt, Net of Current Installments	599,536	599,490
Long Term Tax Liability	8,315	8,477
Total Liabilities	747,351	735,554
Shareholders' equity:		
Capital Stock	214,650	214,650
Retained Earnings:		
Prior Year Retained Earnings	(129,922)	(99,483)
Prior Year Retained Earnings - Affiliates	-	
Current Year Retained Earnings	(11,916)	(30,439)
Total Retained Earnings	(141,838)	(129,922)
Total Equity	72,812	84,728
Total Liabilities and Shareholders' Equity	820,163	820,282

99. ~~92.~~ As can be seen in the table above, the primary asset of BCFC ~~is~~ as at March 31, 2009 was its investment in BCHI. BCHI is the indirect owner of the common shares of BCFPI (through its ownership of BCI and through its ownership of Class A ~~and C~~ preferred shares of BCFPI) and is also the owner of the Mokpo Note. As noted in Appendix “F”, BCHI is also indebted to ~~Bowater Pulp and Paper Canada Holdings Limited Partnership, a limited partnership under the laws of New Brunswick, with BVI as the general partner with a 1% interest and BI as the limited partner with a 99% interest, pursuant to~~ BPPCHLP pursuant a promissory note dated December 31, 2001 in the principal amount of ~~\$82~~81.5 million ~~which has been accruing interest at 8.05% per annum.~~

MONITOR'S OBSERVATIONS

100. The Monitor has the following observations with respect to:

- (i) the potential for any BCFC Intercompany Claims arising from the BCFC transactions described herein; and
- (ii) the effect on creditor recoveries at BI and BCFC of allowing or not allowing a Contribution Claim against BI by BCFC.

BCFC Intercompany Claims

101. The Offering Circular prepared by BCFC with respect to the 7.95% Notes advised potential investors that:

- (i) BCFC would use the proceeds from the 7.95% Notes to acquire BCFLP from BI;
- (ii) BCFLP was formed to facilitate the financing of the Alliance Acquisition and to recapitalize BCHI and BCI; and
- (iii) BI would use the proceeds from the sale of BCFLP to repay all amounts outstanding under the Bridge Facility and to repay other short-term borrowings of BI.

As outlined in this Report, it appears to the Monitor that the proceeds from the 7.95% Notes were used in the manner described in the Offering Circular.

102. The Monitor has not been provided with any evidence of the motive, improper or otherwise, with respect to the BCFLP Equity Conversion outlined in paragraph 73. The Monitor notes, however, that the effect of the BCFLP Equity Conversion was to strengthen the balance sheet of BCFPI.

103. In any event, it appears that if any such claim could be made against BCFPI as a result of the BCFLP Equity Conversion, it could only be brought by the creditors of BCFLP. BCFLP is currently owned by BCTC (1%) and BCFPI (99%). Based on the claims filed to date, there are no third party creditors of BCFLP. As such, 99% of any potential claim against BCFPI is owned by BCFPI, meaning that any potential claim and any potential recovery thereon effectively offset each other.

104. To the knowledge of the Monitor, neither BCTC nor BCFPI nor any creditor of BCTC or BCFPI have asserted a claim in respect of the BCFLP Equity Conversion.

Effect of Allowing a Contribution Claim

105. A resolution of the Contribution Claim described herein will affect the distributions to be made to unsecured creditors of BI under the U.S. Plan and to the unsecured creditors of BCFC under the CCAA Plan. As outlined in the chart below, the estimated recovery to creditors of BI if no Contribution Claim is allowed is 48.4% and, if the Contribution Claim is allowed, it is 39.1%. The estimated recovery to creditors of BCFC if no Contribution Claim is allowed is 0.9% and, if the Contribution Claim is allowed, it is 40.1%. These amounts were calculated based on the potential recoveries and assumptions contained in the Information Circular and are described in detail in the U.S. Disclosure Statement.

	<u>Contribution Claim Allowed in Full - % Estimated Recovery</u>	<u>Contribution Claim Disallowed in Full - % Estimated Recovery</u>
<u>Unsecured Claims – Bowater Incorporated</u>	<u>39.1%</u>	<u>48.4%</u>
<u>BCFC Affected Unsecured Creditor Class</u>	<u>40.1%</u>	<u>0.9%</u>

106. ~~93.~~ As noted herein, this Amended Forty-Ninth Report is ~~an interim~~ final report and was prepared based on ~~an expedited basis by reviewing~~ the information provided to the Monitor up to the time of writing. ~~In the event that the Monitor is subsequently provided with additional information, it will provide a supplemental report if such information materially effects or alters the information provided herein.~~

All of which is respectfully submitted.

ERNST & YOUNG INC.
In its capacity as the Court-Appointed
Monitor of the Petitioners

Per:

Alex Morrison, CA, CIRP
Senior Vice President

John Barrett, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

APPENDIX “A”
ABITIBI PETITIONERS

1. Abitibi-Consolidated Company of Canada
2. Abitibi-Consolidated Inc.
3. 3224112 Nova Scotia Limited
4. Marketing Donohue Inc.
5. Abitibi-Consolidated Canadian Office Products Holding 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 Jonquière Pulp Company
17. The International Bridge and Terminal Company
18. Scramble Mining Ltd.
19. 9150-3383 Québec Inc.
20. Abitibi-Consolidated (U.K.) Inc.

APPENDIX “B”
BOWATER PETITIONERS

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

APPENDIX “C”
18.6 PETITIONERS

1. AbitibiBowater US Holding 1 Corp.
2. AbitibiBowater Inc.
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

**APPENDIX “D”
PARTNERSHIPS**

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

APPENDIX “E”
GLOSSORY OF DEFINED LEGAL ENTITIES

ABH – AbitibiBowater Inc.

ABUSH – AbitibiBowater US Holding LLC

ACI - Abitibi-Consolidated Inc.

Alliance – Alliance Forest Products, Inc.

BCFC- Bowater Canada Finance Corporation

BCFLP – Bowater Canada Finance Limited Partnership

BCFPI – Bowater Canadian Forest Products Inc.

BCHI - Bowater Canadian Holdings Incorporated

BCI – Bowater Canada Inc.

BCTC – Bowater Canada Treasury Corporation

BI - Bowater Inc.

BPPCI – Bowater Pulp and Paper Canada Inc.

BVI – Bowater Ventures Inc.

Mokpo – Bowater-Korea Ltd.

Newsprint South – Bowater Newsprint South LLC

APPENDIX “F”
2001-2004 TRANSACTIONS

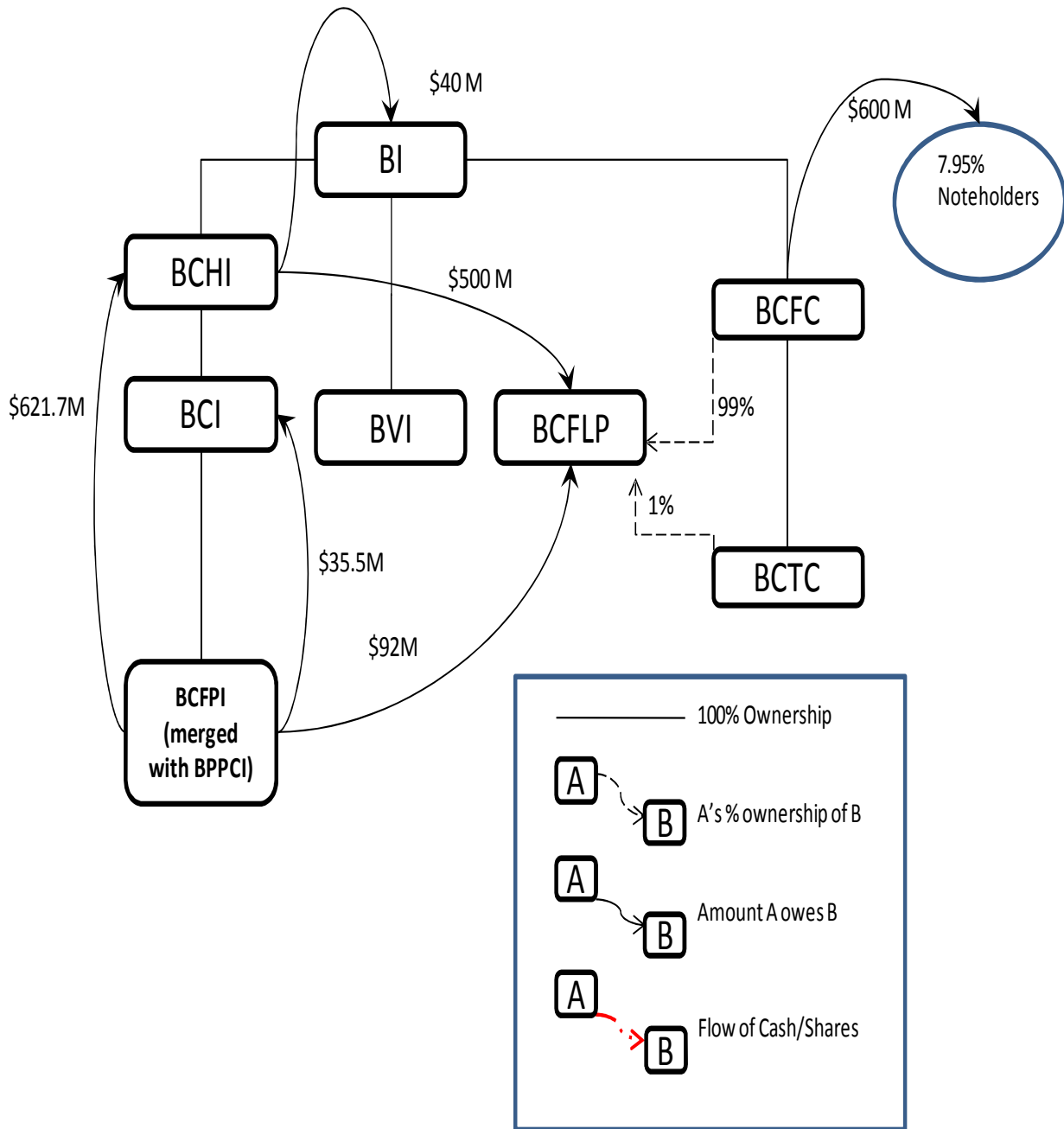
1. Pursuant to a receivables purchase agreement dated November 30, 2001, BCI purchased the accounts receivable owed to BCFPI by Bowater Alabama Inc. and Bowater U.S. Holdings Inc. (collectively, the “Coosa Receivables”) for \$270 million. The purchase price was satisfied by the issuance of a promissory note issued by BCI to BCFPI. This promissory note was subsequently distributed to BCI effectively cancelling the note payable by BCI to BCFPI.

2. BCI reduced its stated capital on December 14, 2001 by the amount of approximately CDN\$1.1 billion by deducting such amount from its stated capital account. The full amount of the reduction was distributed by BCI to BCHI (the holder of BCI’s common shares) by way of repayment of capital that was paid by:
 - (i) the transfer of the BCI/BPPCI Note (in the amount of \$81.5 million) to BCHI, effective November 30, 2001, pursuant to a transfer dated December 14, 2001;

 - (ii) the transfer of the BCI/BPPCI Note2 (in the amount of \$343 million) to BCHI, effective November 30, 2001, pursuant to a transfer dated December 14, 2001; and

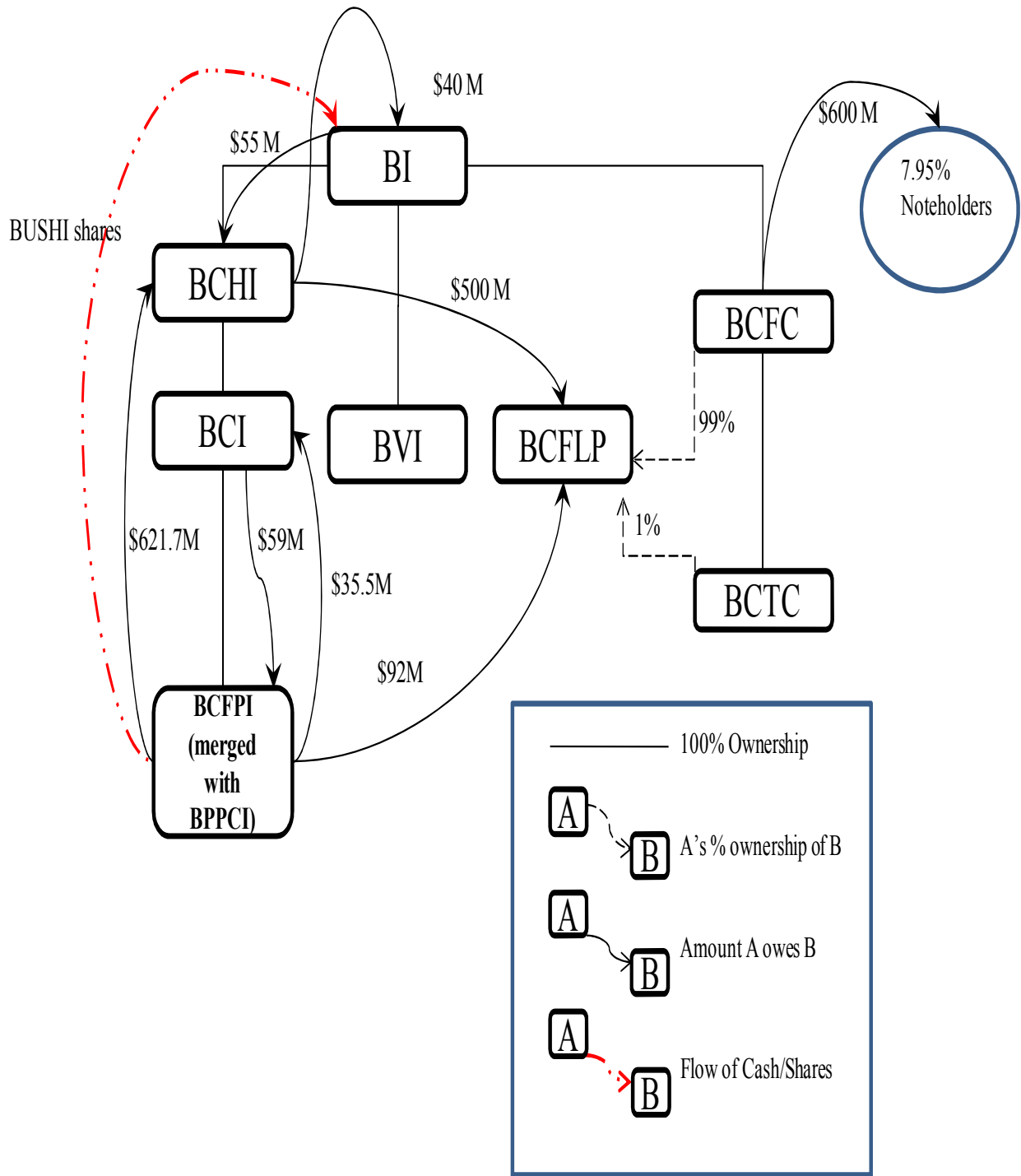
 - (iii) the assignment of the Coosa Receivables to BCHI, pursuant to a deed of assignment dated December 14, 2001. This transaction transferred \$424.5 million, originally owing by BCFPI to BCI, to BCHI increasing the amount owed by BCFPI to BCHI to \$621.7 million.

3. As a result of the transactions described in paragraphs 1 and 2 above, the corporate structure as a result of these transactions was as described below:



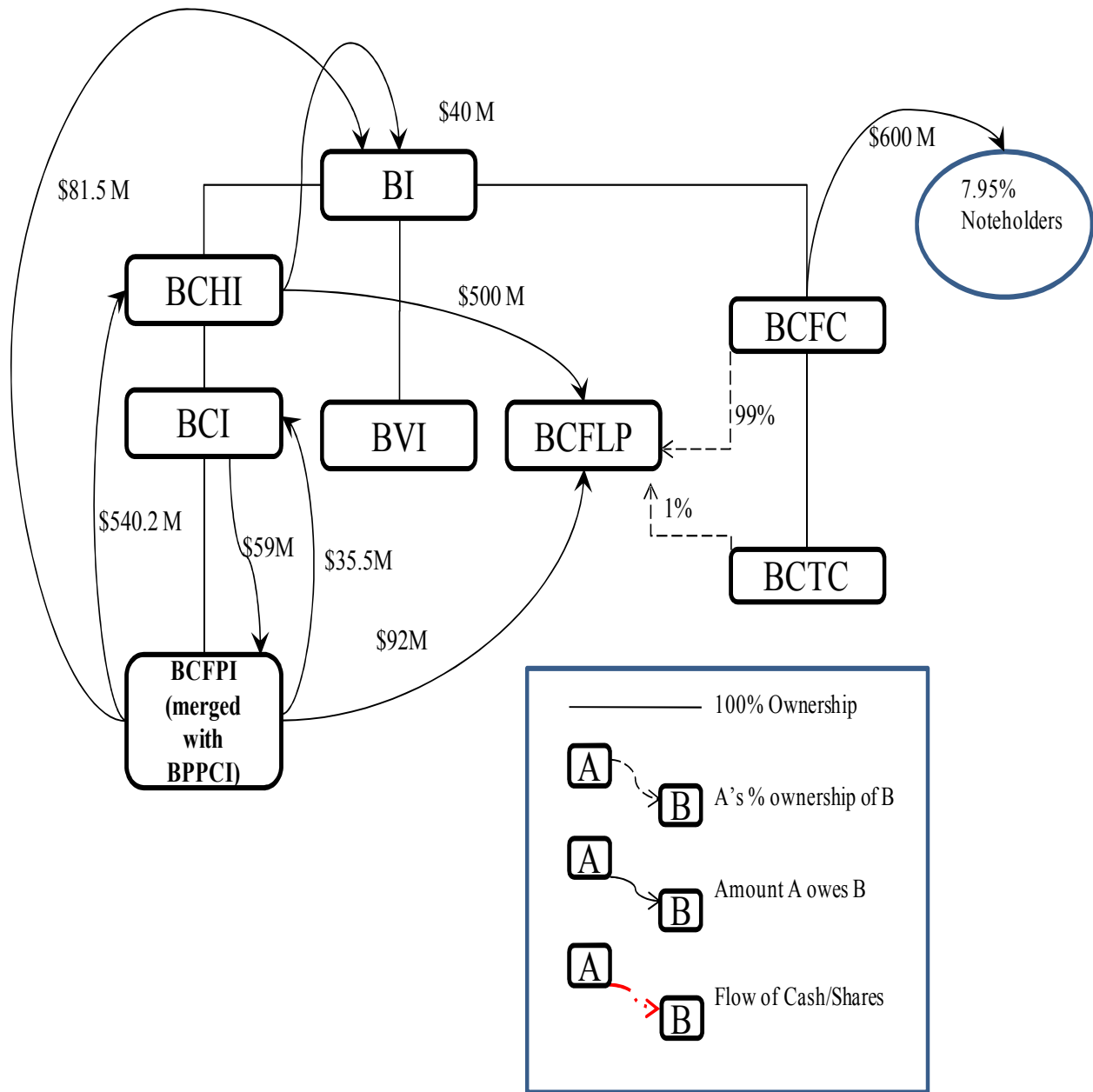
Transfer of the BUSHI Notes

4. Pursuant to an agreement effective as of September 24, 2001, BI purchased all of the issued and outstanding shares of US Alliance Holdings Corp. (now Bowater US Holdings Inc.) (“BUSHI”) from BCFPI (the “BUSHI Agreement”). The BUSHI Agreement contemplated that the BUSHI shares would be purchased at fair market value as at September 24, 2001. Pursuant to an agreement dated December 14, 2001, BI and BCFPI agreed that the purchase price of the BUSHI shares, as at September 24, 2001, would be \$55 million. The purchase price was satisfied by the delivery of two promissory notes by BI in the amount of \$10 million and \$45 million to BCFPI (the “BUSHI Notes”).
5. On December 14, 2001 BCFPI transferred the BUSHI Notes (principal and interest) to BCI in exchange for the issuance of a promissory note in the principal amount of approximately \$59 million in favour of BCFPI. BCI then transferred the BUSHI Notes to BCHI on December 14, 2001 by way of return of capital.
6. As a result of the transactions described in paragraphs 4 and 5 above, the corporate structure as a result of these transactions was as described below:



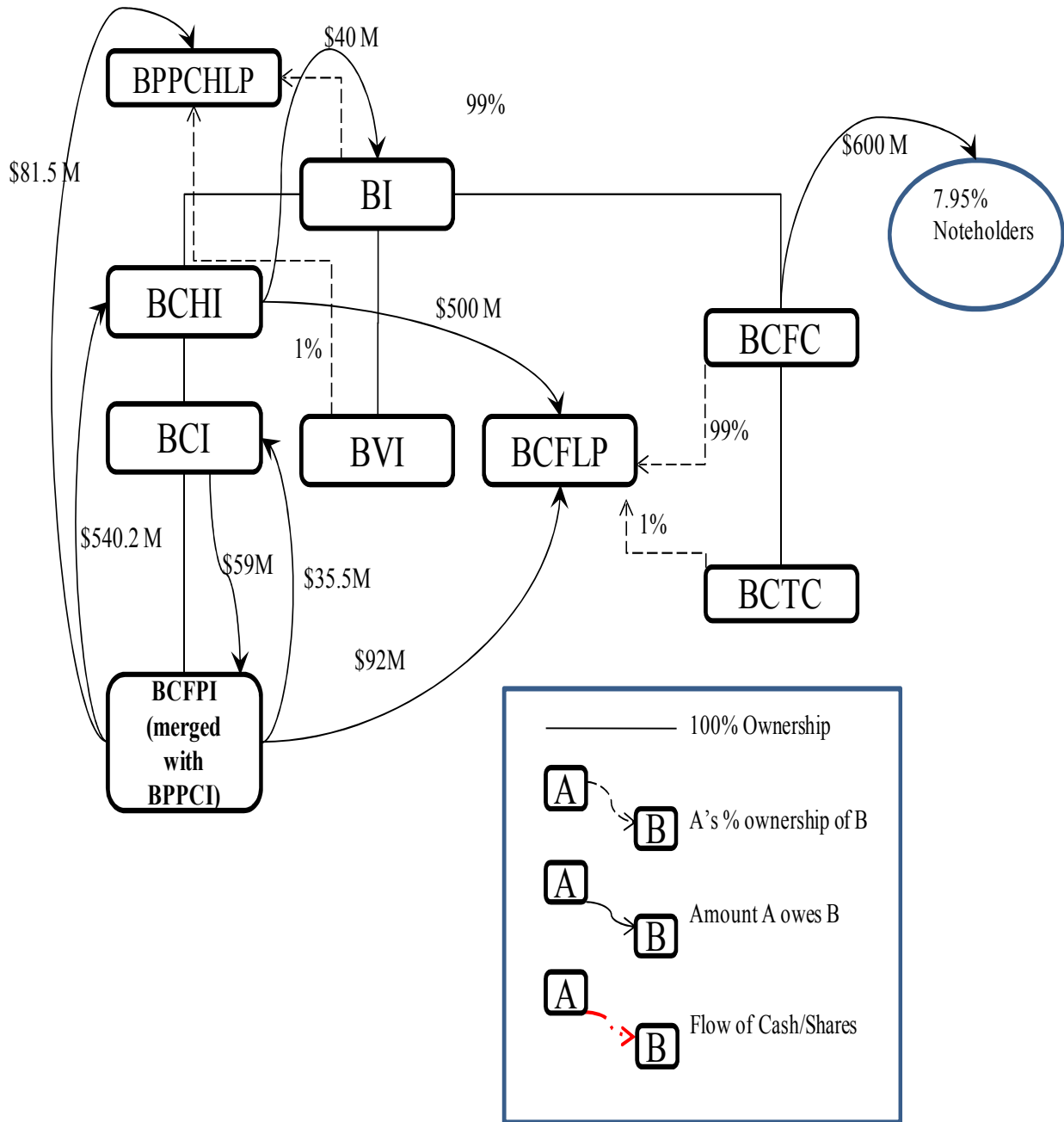
Transfer of Notes and Coosa Receivables to BI

7. BCHI transferred the indebtedness of BPPCI pursuant to the BCI/BPPCI note (in the amount of \$81.5 million) to BI effective as of November 30, 2001. Pursuant to a deed of assignment dated December 14, 2001, BCHI assigned the Coosa Receivables to BI by way of return of capital.
8. On December 14, 2001, BCHI acknowledged receipt of repayment in full, by way of reduction of stated capital held by BI, of the indebtedness of BI to BCHI (both principal and interest) as evidenced by the BUSHI Notes.
9. As a result of the transactions described in paragraphs 7 and 8 above, the corporate structure as a result of these transactions was as described below:



Transfer of BCI/BPPCI Note to BPPCHI

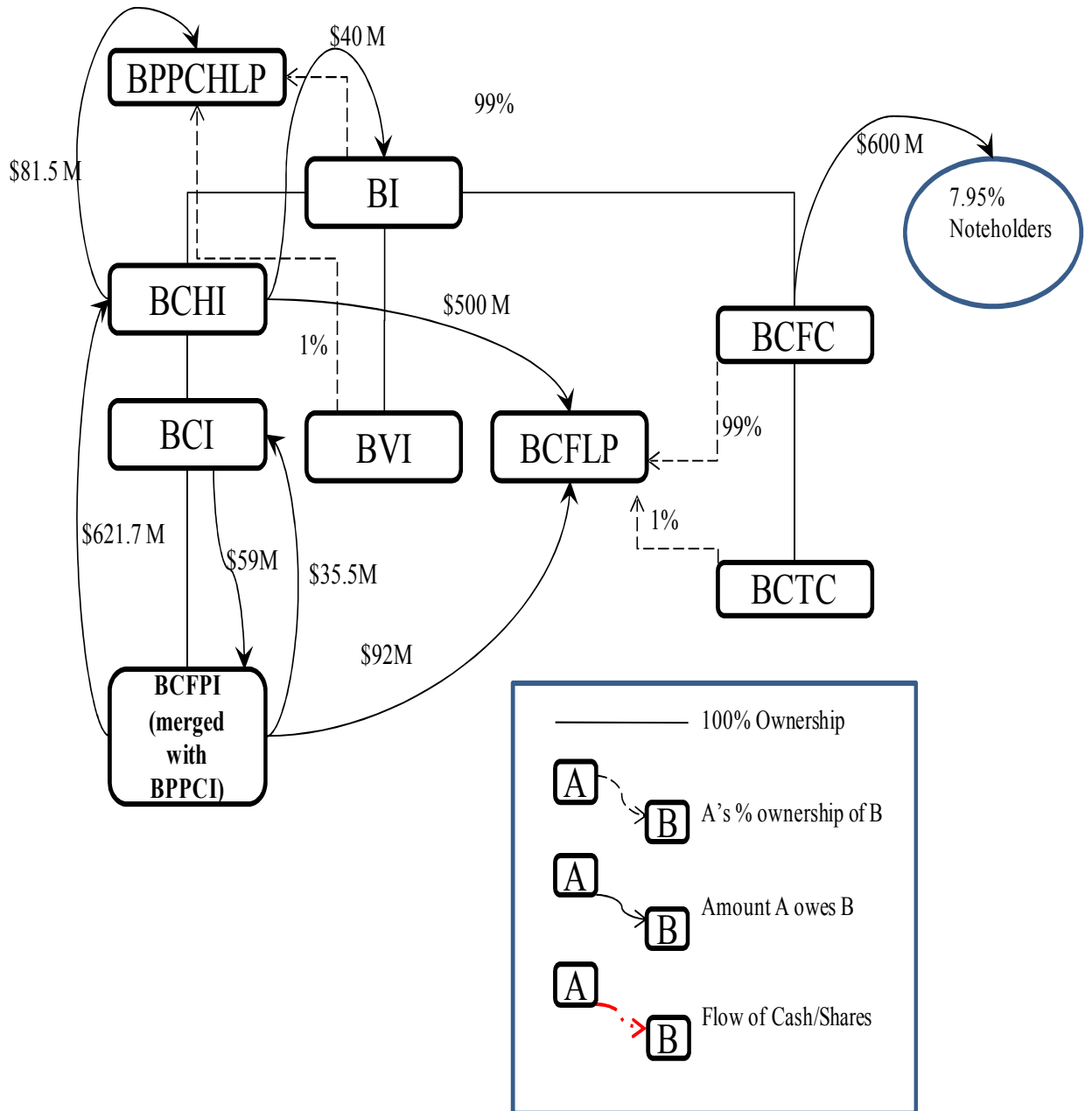
10. BVI and BI entered into a limited partnership agreement dated December 15, 2001 to form [Bowater Pulp and Paper Canada Holdings Limited Partnership \(“BPPCHLP”\)](#) whereby BVI acquired 1% of the units of BPPCHLP and BI acquired 99% of the units of BPPCHLP.
11. On December 31, 2001, BI transferred 1% of its interest in the indebtedness of BPPCI pursuant to the BCI/BPPCI Note and interest thereon to BVI in exchange for 500 common shares of BVI. The 1% interest transferred from BI to BVI was valued at approximately \$800,000.
12. On December 31, 2001, BVI transferred its 1% interest in the BCI/BPPCI Note to BPPCHLP in exchange for approximately 820,000 units of BPPCHLP pursuant to a subscription agreement dated December 31, 2001.
13. On December 31, 2001, BI transferred 99% of its interest in the BCI/BPPCI Note to BPPCHLP in exchange for approximately 81 million units of BPPCHLP.
14. As a result of the transactions described in paragraphs 11 to 13 above, the corporate structure as a result of these transactions was as described below:



Transfer of BCI/BPPCI Note to BCHI

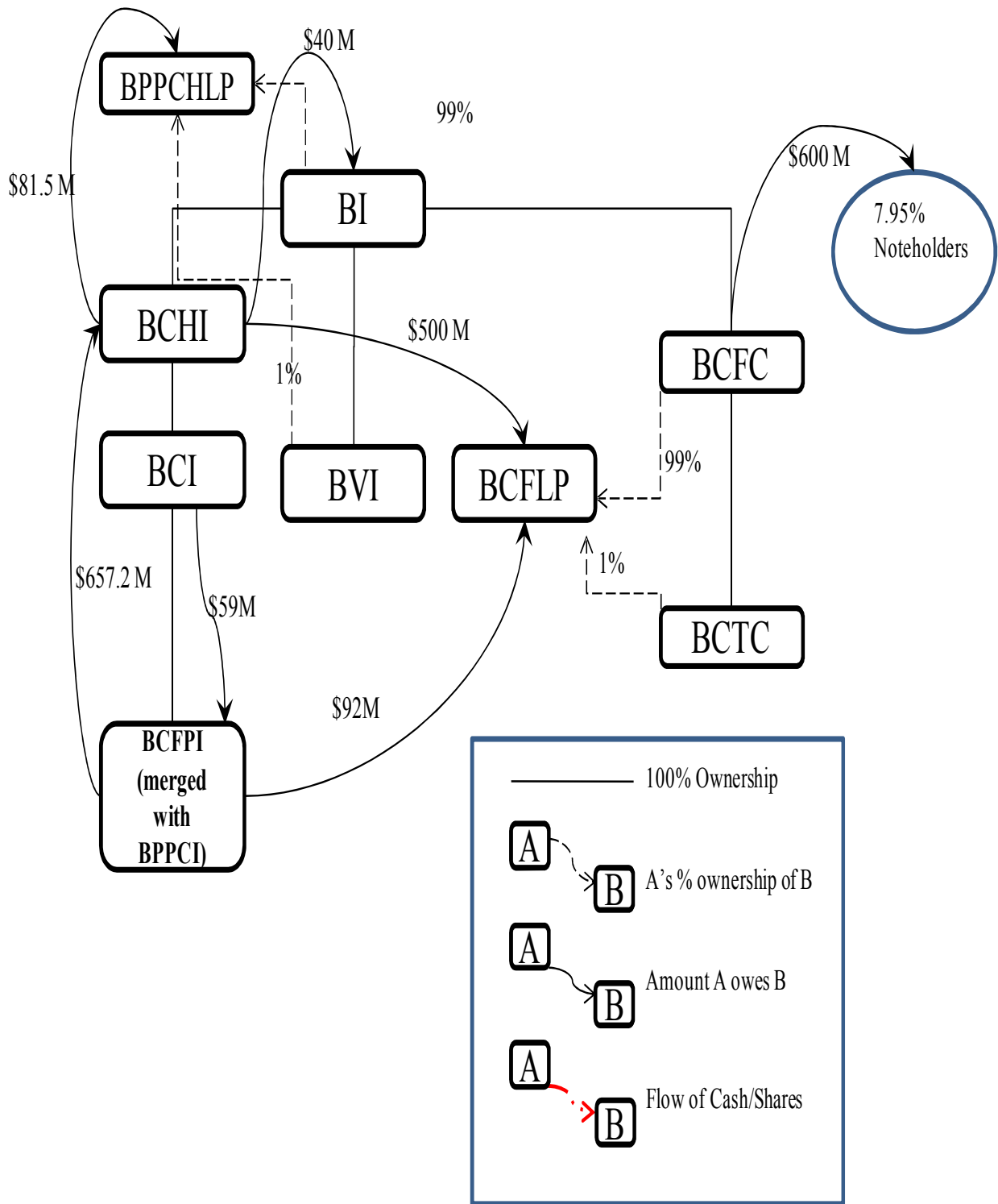
15. Pursuant to a transfer agreement dated December 31, 2001, BPPCHLP transferred the BCI/BPPCI Note to BCHI in exchange for a promissory note payable to BPPCHLP in the amount of approximately \$82 million.

16. As a result of the transactions described in paragraph 15 above, the corporate structure as a result of these transactions was as described below:



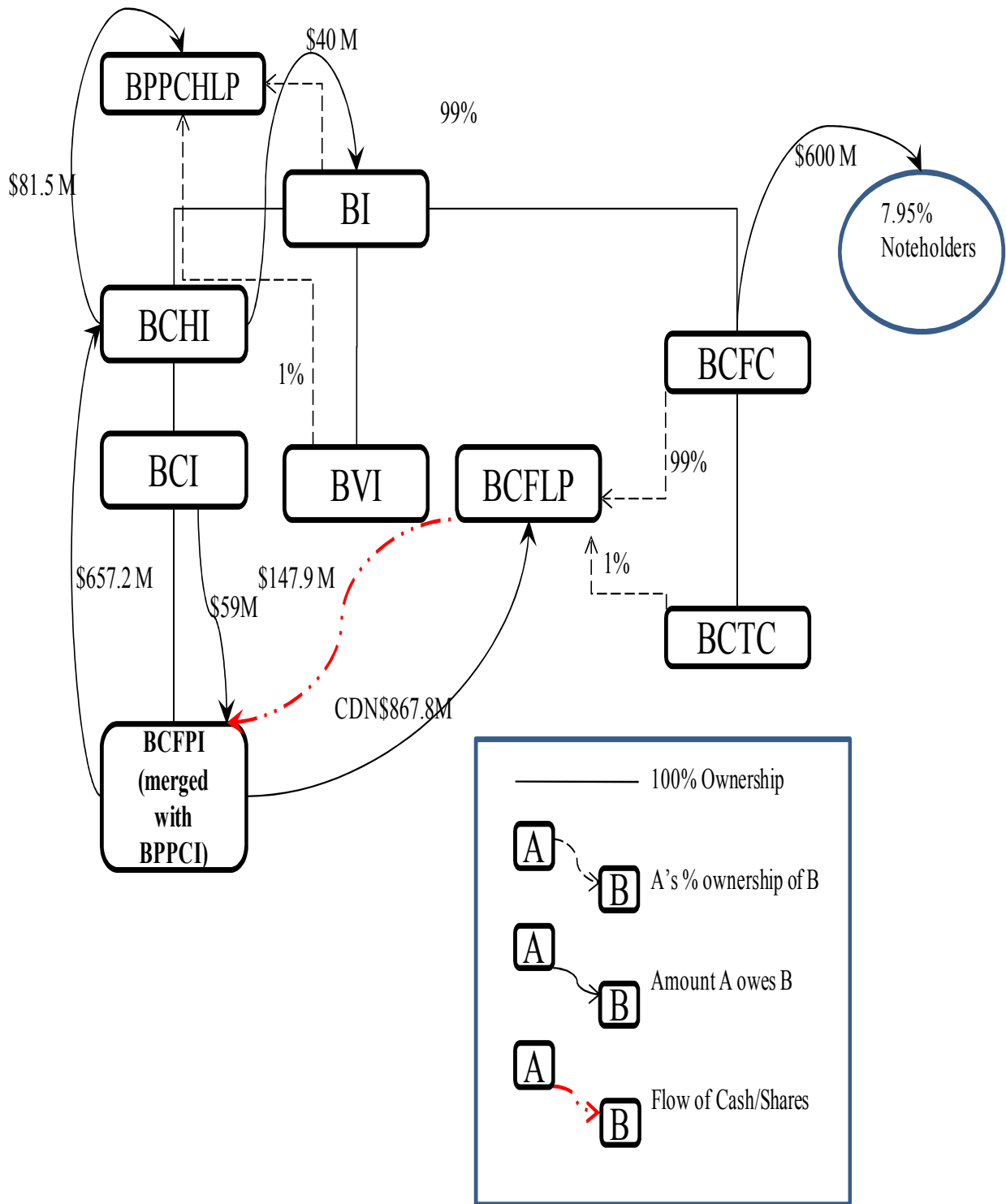
Distribution of Alliance Note

17. BCI reduced its stated capital in May 2002 by approximately CDN\$55 million by deducting such amount from its stated capital account. The amount of the reduction was distributed to BCHI by way of repayment of capital and the transfer by BCI to BCHI of the Alliance Note on May 24, 2002.
18. Pursuant to a transfer agreement dated May 31, 2002, BCHI transferred the Alliance Note to BI in exchange for a promissory note payable by BI to BCHI in the amount of approximately \$36 million. BCHI repurchased the Alliance Note pursuant to a transfer agreement dated May 31, 2002 in exchange for a promissory note payable by BCHI to BI in the amount of approximately \$36 million.
19. As a result of the transactions described in paragraphs 17 and 18 above, the corporate structure as a result of these transactions was as described below:



Funding of BCFPI

20. The BCFLP/BCHI Note (as referenced in paragraph 39 of this Report) was transferred to BCFPI with the approval of BCFLP, and, as such, BCFPI assumed responsibility for the \$500 million BCFLP/BCHI Note previously payable by BCHI.
21. The following transactions are documented in the resolution of the partners of BCFLP dated November 9, 2005. The Monitor has not been provided with any additional documents in respect of these advances and has not traced the original source of the funds so advanced:
- (i) On June 28, 2002, BCFLP advanced an additional \$33.2 million to BCFPI and a further \$33.3 million on December 17, 2002; and
 - (ii) On June 30, 2003, BCFLP advanced an additional \$26.1 million to BCFPI and a further \$27.1 million on December 30, 2003. On June 30, 2004, BCFLP advanced an additional \$28.2 million to BCFPI.
22. As a result of the transactions described in paragraphs 20 to 21, the corporate structure was as described below:



APPENDIX “FG”
2004 & 2005 Financial Statements for BCFPI

Document comparison by Workshare Professional on September-09-10 4:18:51 PM

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Split/Merged cell	
Padding cell	

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