

CANADA

SUPERIOR COURT

PROVINCE OF QUÉBEC
DISTRICT OF
MONTREAL

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

No.: 500-11-036133-094

**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

**FIFTY-SEVENTH REPORT OF THE MONITOR
September 7, 2010**

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 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, 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 Abitibi-Consolidated Company of Canada (“**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.

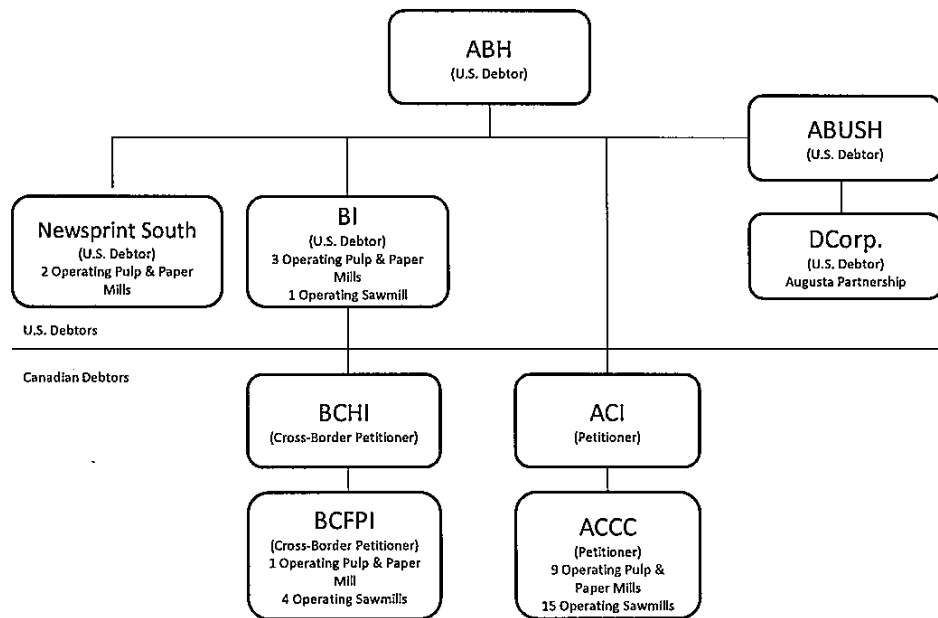
BACKGROUND

9. In October 2007, ACI and BI merged to create ABH which 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 and South Korea. The Petitioners’ United Kingdom subsidiary, Bridgewater Paper Company Ltd. (“**Bridgewater**”), filed for administration, pursuant to the United Kingdom’s Insolvency Act of 1986 on February 2, 2010. The UK administrator announced on May 19, 2010 that it had sold the property formerly owned by Bridgewater.
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.
14. Set forth below is a summarized version of the organization chart that highlights which of the major operating entities (and certain holding companies) are Petitioners subject to the CCAA Proceedings, which entities are U.S. Debtors subject to the Chapter 11 Proceedings and which entities are Cross-Border Petitioners subject to both proceedings.¹

¹ A copy of the detailed ABH Group organization chart is available on the Monitor’s website in the “Motion Materials” folder. The specific file is “Exhibit 02” in the “2009 -04-17 Petition for the Issuance of an Initial Order” subfolder.



PURPOSE

15. Pursuant to the Order Amending the Creditors' Meeting Order dated July 21, 2010 (the "**Meeting Order**"), the Monitor is required to deliver this fifty-seventh report (the "**Fifty-Seventh Report**") in these CCAA Proceedings, the purpose of which is to report to this Honourable Court with respect to:
 - (i) an overview of the business and financial affairs of the Petitioners;
 - (ii) a summary of the restructuring activities undertaken by the Petitioners since the commencement of the CCAA Proceedings;
 - (iii) an overview of the plan of compromise and arrangement (the "**CCAA Plan**") (as may be amended, re-amended or supplemented from time to time) prepared by the Petitioners that was mailed with the information circular (the "**Information Circular**") to the creditors who hold affected unsecured claims against the CCAA Plan Applicants (as defined herein) (the "**Affected Unsecured Creditors**"),

which will be voted upon by the Affected Unsecured Creditors at a meeting of such creditors (the “**Creditors’ Meeting**”) scheduled to be held in Montreal on September 14, 2010;

- (iv) the status of the Claims Process (as defined herein) and an estimate of the range of potential outcomes in respect of the remaining disputed claims and the potential impact on the recoveries for Affected Unsecured Creditors pursuant to the CCAA Plan;
- (v) a summary of the Liquidation Analysis (as defined herein) prepared by the Monitor that was included in the Information Circular with a comparison to the Petitioners’ estimate of recoveries for Affected Unsecured Creditors if the CCAA Plan is implemented; and
- (vi) the Monitor’s recommendation with respect to the CCAA Plan.

TERMS OF REFERENCE

16. In preparing this Fifty-Seventh Report, 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 Fifty-Seventh Report. Some of the information referred to in this Fifty-Seventh Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this Fifty-Seventh 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.

17. Capitalized terms not defined in this Fifty-Seventh 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.
18. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Fifty-Seventh Report, and all motion records and Orders in the CCAA Proceedings are available on the Monitor's website at www.ey.com/ca/abitibibowater. 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.
19. 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/abitibibowater>. The Monitor has included a link to Epiq's website from the Monitor's website.

THE BUSINESS AND FINANCIAL AFFAIRS OF ABH

North American Forestry Market Conditions

20. As described in previous reports of the Monitor, the North American forest products industry has faced significant challenges over the last several years, including falling demand and lower prices for many forest sector products due to both long term and cyclical changes in the marketplace. In particular, newsprint demand has been in decline for a number of years due to continued expansion of the internet, electronic data transmission and storage, and negative trends in newspaper advertising and circulation. At the same time, lumber demand has dropped significantly due to the dramatic decline in new home construction in the United States. As a result of these market factors, many forestry product producers have had to either temporarily idle or permanently close their manufacturing facilities.
21. Further, the rise in the Canadian dollar versus the U.S. dollar over the past several years has had an impact on the cost competitiveness of Canadian mills as many of their products are sold in the United States or other international markets. This has lead to a

dramatic restructuring in the Canadian forestry sector, resulting in many plant closures and a general reduction in production output.

22. As a result of these market conditions, numerous forest product producers have been involved in court-supervised insolvency proceedings, including Smurfit-Stone Container Canada Inc., Pope & Talbot Ltd., Fraser Papers Inc., White Birch Paper Company, Grant Forest Products Inc. and Blue Heron Paper Co., while certain other industry participants have undergone capital reorganizations without recourse to formal insolvency proceedings.
23. Over the past year, newsprint and lumber prices have shown limited signs of improvement and have increased somewhat from where they were at the date of the commencement of these CCAA Proceedings. Worldwide pulp prices have improved significantly, primarily due to strong demand from China.
24. Throughout these CCAA Proceedings, the Monitor has provided this Honourable Court with regular reports on the Petitioners' cash flows which have included details with respect to market conditions in the forest products industry. The most recent report containing this information was provided in the Fifty-Third report of the Monitor dated August 26, 2010.

ABH's Financial Results

25. ABH has recently released financial results for the six month period ended June 30, 2010. A summary of the results, as set forth in ABH's form 10-Q² filed with the Securities and Exchange Commission on August 16, 2010 (the "**10-Q**"), is as follows:

² The form 10-Q is a required quarterly filing for SEC-registered entities. It provides quarterly financial information and management's discussion and analysis, among other things. A copy of the 10-Q is attached hereto as Appendix "E".

	US\$Millions			
	3 Months Ended		6 Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
Sales	\$ 1,182	\$ 1,036	\$ 2,282	\$ 2,149
Cost of Goods Sold	(951)	(784)	(1,866)	(1,572)
Other Costs	(304)	(537)	(599)	(876)
Operating Loss	(73)	(285)	(183)	(299)
Interest, Other Income and Reorganization	(236)	(262)	(633)	(465)
Income Taxes and Non-Controlling Interests	12	37	19	36
Net Income/(Loss)	<u>\$ (297)</u>	<u>\$ (510)</u>	<u>\$ (797)</u>	<u>\$ (728)</u>

26. As stated in the Management Discussion & Analysis section of the 10-Q, shipments to customers for the first six months of the year increased for all product lines as compared to the same period in 2009. This has been offset by higher manufacturing costs of approximately \$237 million, caused in part by the rise of the Canadian dollar compared to the U.S. dollar (which negatively impacted results by approximately \$189 million due to the relatively high level of ABH's Canadian operations) and higher production volumes (which contributed approximately \$118 million to the higher manufacturing costs).
27. The higher costs referred to above have been partially offset by lower costs for certain items, including wood and fibre (approximately \$20 million lower), energy costs (approximately \$32 million lower) and chemicals (approximately \$20 million lower).
28. BI, which produces a significant amount of pulp in the United States, no longer receives certain tax credits from the U.S. federal government. BI, like a number of U.S. producers of pulp, earned tax credits for burning "black liquor", a by-product of the pulp producing process, throughout 2009. The 10-Q notes that the benefit of these tax credits for the comparable period of 2009 was \$118 million. These tax credits were no longer available to BI and other pulp producers as of January 1, 2010.

ABH's Business Plan

29. In order to assist it in developing its restructuring plan, ABH, along with its advisors, prepared a five-year *pro forma* financial forecast for the period of January 1, 2010 through December 31, 2014 (the “**Business Plan Forecast**”).
30. The Information Circular (a copy of which can be found at “www.ey.com/ca/abibowater” in the “Creditors’ Meeting Materials” folder) includes a summary of the Business Plan Forecast.
31. Significant assumptions contained in the Business Plan Forecast include the following:
- (i) ABH will emerge from Chapter 11 Proceedings on October 1, 2010;³
 - (ii) pricing and demand assumptions are based on Management’s view of supply and demand dynamics in both North American and international markets which is, in part, based upon forecasts provided by RISI, a well-known forest products information provider, at the time the Business Plan Forecast was prepared;
 - (iii) the Canadian and U.S. dollar exchange rate is assumed to be as follows:

2010 - CDN \$1.00 = U.S. \$0.99

2011 - CDN \$1.00 = U.S. \$0.98

2012 - CDN \$1.00 = U.S. \$0.96

2013 - CDN \$1.00 = U.S. \$0.93

2014 - CDN \$1.00 = U.S. \$0.91
 - (iv) the capital structure of ABH reflects Management’s assumptions regarding the Exit Financing (as defined herein) currently being raised to facilitate emergence from insolvency proceedings and to fund the ABH Group’s operations post-emergence; and
 - (v) the liquidity available to Reorganized ABH (as defined herein) on the emergence date is forecast to be approximately \$600 million.

³ The Monitor notes that the Sanction Hearing is scheduled for September 20, 2010 and the Petitioners’ targeted date of emergence is presently estimated to be October 14, 2010.

32. Further details regarding the Business Plan Forecast assumptions can be found in Appendix G to the Information Circular.
33. The following chart provides highlights of certain of the financial forecasts results contained in the Business Plan Forecast:

	Business Plan Forecast (\$Millions)				
	2010	2011	2012	2013	2014
Sales	\$ 4,663	\$ 5,341	\$ 5,480	\$ 5,416	\$ 5,474
Cost of Goods Sold	(3,651)	(3,793)	(3,841)	(3,828)	(3,826)
Other Costs	(1,122)	(981)	(986)	(990)	(996)
Operating Loss	(110)	567	653	598	652
Interest, Other Income and Reorganization	(518)	(150)	(141)	(130)	(115)
Income Taxes and Non-Controlling Interests	202	(123)	(124)	(83)	(93)
Net Income/(Loss)	\$ (427)	\$ 295	\$ 387	\$ 384	\$ 445

34. There are a significant number of factors, each of which is beyond the control of the Petitioners, that could have a material impact on the Petitioners' future financial results. Such factors include:
- (i) the Petitioners' business is highly dependent on the relationship between the currency of Canada and the United States. As the majority of their revenue is earned in U.S. dollars while the majority of their disbursements are in Canadian dollars, movements in exchange rates can have a significant impact on the Petitioners' earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Petitioners have previously noted that each cent of change in the CDN/US foreign exchange rate affects their EBITDA by approximately \$15 million to \$20 million;
 - (ii) ABH produces a number of commodity products with selling prices determined on world markets; and
 - (iii) a number of products that are produced by ABH are currently experiencing historically low levels of demand. Although there have been recent

improvements in pricing and demand for certain of these products, there is no certainty that this recovery will be sustained.

RESTRUCTURING ACTIVITIES

35. Since the date of the Initial Order, the Petitioners have been working to restructure and streamline their operations and to develop a business plan to position their business to be competitive in the significantly changed forestry industry in North America and to become more profitable.
36. Some of the more significant restructuring activities that the Petitioners have successfully completed as of the date of this Fifty-Seventh Report include the following:
 - (i) negotiation and approval of debtor in possession (“**DIP**”) financing in both the CCAA Proceedings and the Chapter 11 Proceedings that have provided the Petitioners and the U.S. Debtors with sufficient liquidity to operate their business during these insolvency proceedings;
 - (ii) negotiation of contracts for post-filing supply of goods with major vendors;
 - (iii) the sale of ACCC’s 60% interest in the Manicouagan Power Company for gross proceeds of CDN\$615 million, of which CDN\$200 million was used to reduce its indebtedness to the holders of the 13.75% senior secured notes (the “**SSNs**”) (as detailed in the Twenty-Ninth Report of the Monitor dated December 16, 2009);
 - (iv) repayment by ACCC of the intercompany note owing to AbitibiBowater Holding LLC which eliminated a potential tax liability of \$55 million (as outlined in the Twenty-Second Report of the Monitor dated November 19, 2009);
 - (v) the sale of a number of closed pulp and paper mills including one in British Columbia, three in Quebec, one in New Brunswick and one in Ontario for total proceeds of approximately \$37 million and that had the additional benefit of reducing ongoing holding costs;
 - (vi) the sale of closed or non-strategic sawmills;

- (vii) the sale of over 490,000 acres of timberlands for total proceeds of approximately CDN\$53 million;
- (viii) the sale of non-core properties in Newfoundland (Botwood and Stephenville) and Quebec (in progress) to reduce the potential exposure to environmental cleanup costs;
- (ix) closing pulp and paper mills in Gatineau and Dolbeau, Quebec to reduce costs;
- (x) filing for administration by Bridgewater pursuant to the United Kingdom's Insolvency Act on February 2, 2010;
- (xi) repudiation of over 200 contracts with estimated annual savings for 2010 of CDN\$69 million;
- (xii) renegotiation of long term supply contracts with vendors;
- (xiii) reduction in sales, general and administration expenses, including personnel reductions at the head office of approximately 25%;
- (xiv) negotiation of new collective agreements in Quebec and Ontario with unionized employees, which have either been ratified or are in the process of being finalized with union locals; and
- (xv) negotiation of a settlement agreement with Her Majesty the Queen in Right of Canada in connection with certain claims asserted by ACCC, AbitibiBowater Canada Inc., ABH and ACI against the Government of Canada under the *North American Free Trade Agreement* (the "**NAFTA Settlement Agreement**") which was approved by this Honourable Court on September 1, 2010 and will result in a payment to a Canadian company controlled by ABH of CDN\$130 million upon implementation of the CCAA Plan and consummation of the Chapter 11 Plan.

37. The U.S. Debtors have also implemented a number of restructuring initiatives that have resulted in cost reductions and asset sales. These are referred to in the Information Officer Reports previously filed with this Honourable Court.

38. These restructuring initiatives have enabled the ABH Group to reduce its cost structure, generate cash proceeds to either enhance its liquidity or pay down secured debt and to rationalize its mill configuration so that ABH's post-restructuring operations will focus on its most cost competitive mills that are best situated to serve ABH's customer base.
39. A further key element of ABH's restructuring process is the necessity to de-leverage ABH's balance sheet, which includes approximately \$1.1 billion of secured debt (excluding DIP financing) and approximately \$7 billion of unsecured debt (as described in the 10-Q), all of which is addressed in the CCAA Plan and the Chapter 11 Plan.

THE CCAA PLAN

40. The CCAA Plan was developed by the Petitioners in conjunction with the Chapter 11 Plan (defined below) developed by the U.S. Debtors and is the result of negotiations and discussions with various key stakeholders, including the Ad Hoc Committee of Unsecured Noteholders in the CCAA Proceedings (the "**Ad Hoc Committee**") and the U.S. Unsecured Creditors Committee in the Chapter 11 Proceedings (the "**UCC**"). A copy of the CCAA Plan is posted on the Monitor's website and is attached hereto as Appendix "F".
41. The U.S. Debtors have also filed with the U.S. Bankruptcy Court a Second Amended Joint Plan of Reorganization (the "**Chapter 11 Plan**") and accompanying Disclosure Statement, both related to the joint reorganization of the U.S. Debtors under the U.S. Bankruptcy Code. A copy of the Chapter 11 Plan is attached hereto as Appendix "G". The CCAA Plan and the Chapter 11 Plan are collectively referred to herein as the "**Plans**".
42. The Plans are similar in terms of the treatment of Affected Unsecured Creditors, with the exception of differences necessary to comply with certain jurisdictional requirements. In summary, the Plans essentially provide for the payment in full on the CCAA Plan Implementation Date (as defined herein) and consummation of the Chapter 11 Plan of all of the Petitioners' and the U.S. Debtors' secured debt obligations and the conversion of all unsecured debt obligations (with certain exceptions as discussed further herein) to

equity (the “**New ABH Common Stock**”) of the post-emergence reorganized ABH (“**Reorganized ABH**”).

Valuation and Allocation of Shares

43. As described in Appendix H of the Information Circular, the Petitioners, with the assistance of their financial advisor, The Blackstone Group (“**Blackstone**”), prepared an estimate of the total going concern value of ABH (the “**Enterprise Value**”).
44. The Enterprise Value assumed that October 1, 2010 would be the date of emergence from the CCAA Proceedings/Chapter 11 Proceedings and was based on the Petitioners’ Business Plan Forecast for the period from January 1, 2010 to December 31, 2014. The estimated Enterprise Value was developed using three valuation methods:
 - (i) a discounted cash flow analysis was used to estimate the present value of the expected future net cash flows of ABH based on the Business Plan Forecast;
 - (ii) a comparison of trading multiples based on EBITDA was used comparing other publicly traded companies with similar operating and financial characteristics; and
 - (iii) a comparison of transaction multiples based on EBITDA was used with respect to the purchase and sale of public companies with similar operating and financial characteristics.
45. Based on these valuation methods, Blackstone estimated that the Enterprise Value falls within a range of approximately \$3.5 billion to \$3.9 billion with a mid-point estimate of approximately \$3.7 billion. The Enterprise Valuation includes the proportionate share of the value of investments in non-consolidated affiliates including non-filing entities. Based on a *pro forma* debt balance on emergence of approximately \$1.25 billion, Blackstone estimated the mid-point value of the New ABH Common Stock to be approximately \$2.4 billion.
46. The allocation of the New ABH Common Stock was calculated by Blackstone based on an estimate of the Enterprise Value for each of the individual Petitioners and the U.S.

Debtors, the intercompany claims between each of the legal entities and the estimated quantum of unsecured claims at each of the legal entities. The Ad Hoc Committee, the UCC and the Monitor have all reviewed this analysis.

47. Based on the calculations described above, approximately 30.1% and 7.2% of the New ABH Common Stock will be allocated for distribution to the ACI Petitioners and the Bowater Petitioners, respectively. The remainder of the New ABH Common Stock will be allocated to the U.S. Debtors, including the DCorp Group which has provided guarantees to the 15.5% Senior Unsecured Notes issued by ACCC due July 15, 2010. These percentages are all prior to a reserve of 8.5% of New ABH Common Stock, on a fully diluted basis, for issuance under the long term equity incentive plan for senior management (the “LTIP”), which is described in Paragraph 6.8 (a) of the CCAA Plan.
48. Based on the percentages set forth above, a fixed number of shares were allocated to each of the individual Petitioners under the CCAA Plan. Schedules C and D of the CCAA Plan set out the number of shares and the percentages of New ABH Common Stock allocated to each of the Petitioners and are attached hereto as Appendix “H”. Exhibit B-6 of the Chapter 11 Plan sets out the number of shares and the percentages of New ABH Common Stock allocated to each of the U.S. Debtors and is attached hereto as Appendix “I”.

Overview of the CCAA Plan

49. In summary, the CCAA Plan and the Chapter 11 Plan are designed to:
 - (i) provide for a co-ordinated restructuring and compromise of the Petitioners’ and the U.S. Debtors’ debt obligations; and
 - (ii) reorganize and simplify the Petitioners’ and the U.S. Debtors’ corporate and capital structure.

50. The basic structure of the CCAA Plan is as follows:

- (i) secured creditors with proven and valid security will be unaffected by the CCAA Plan and will be repaid in full with accrued interest up to the date of emergence from these CCAA Proceedings;
- (ii) creditors with excluded claims ("**Excluded Claims**"), which include CCAA Charge Claims, Administrative Claims, Securitization Claims, Post-filing Claims, Insured Claims, Excluded Employee Claims and Government Priority Claims (each as defined in the CCAA Plan), will be unaffected by the CCAA Plan;
- (iii) the current shares of ABH will be cancelled for no consideration pursuant to the Chapter 11 Plan (ABH filed under Chapter 11 only) and the exchangeable shares issued by AbitibiBowater Canada Inc. will also be cancelled without consideration; and
- (iv) Affected Unsecured Creditors will receive either (i) a Cash Distribution (as defined and described further herein) if their Affected Unsecured Claim is less than CDN\$6,073 (US\$5,000) (unless they elect to receive New ABH Common Stock) or if they opt to reduce their claim to CDN\$6,073 so as to receive the Cash Distribution, or (ii) a distribution of New ABH Common Stock upon emergence from these CCAA Proceedings.

51. Secured creditors and creditors with Excluded Claims (all of whom are "**Unaffected Creditors**") will not be entitled to attend or vote at the Creditors' Meeting or receive any distribution under the CCAA Plan. Generally, Unaffected Creditors will be repaid in full by the Petitioners on, or as soon as practicable after, the Implementation Date.⁴

Cash Distributions

52. Under the CCAA Plan, each Affected Unsecured Creditor who is owed CDN\$6,073 or less will receive, in full and final satisfaction of its proven claim, a cash distribution in an

⁴ "**Implementation Date**" is defined in the CCAA Plan as the business day on which all conditions to implementation of the CCAA Plan have been satisfied or (to the extent legally permissible) waived and the Monitor has filed a certificate with the Court confirming the foregoing.

amount equal to 50% of the face amount of its proven claim (the “**Cash Distribution**”), subject to the qualification below.

53. Each Affected Unsecured Creditor who is owed CDN\$6,073 or less may file an Election Notice⁵ with the Monitor by the Election Deadline⁶, wherein such creditor may elect to receive its *pro rata* share of New ABH Common Stock rather than the Cash Distribution.
54. In addition, each Affected Unsecured Creditor who is owed *more than* CDN\$6,073 has the option to file an Election Notice with the Monitor by the Election Deadline wherein such creditor may elect to reduce its claim for distribution purposes to CDN\$6,073 and receive a cash distribution of CDN\$3,036.50 (being 50% of CDN\$6,073) rather than New ABH Common Stock, regardless of the quantum of its claim.
55. Each Affected Unsecured Creditor who is owed *more than* CDN\$6,073 and who has not filed an Election Notice by the Election Deadline and each Affected Unsecured Creditor who is owed CDN\$6,073 *or less* who has filed an Election Notice by the Election Deadline will receive, in full and final satisfaction of its proven claim, its *pro rata* share of the number of shares of New ABH Common Stock as set forth in the CCAA Plan for the Petitioner against which such Affected Unsecured Creditor has a proven claim.

New ABH Common Stock

56. Affected Unsecured Creditors who do not qualify or elect to receive a Cash Distribution will receive shares of New ABH Common Stock.
57. The number of shares of New ABH Common Stock to be received by individual Affected Unsecured Creditors of each of the Petitioners will be determined on a *pro rata* basis by using the final quantification of the allowed claims against each Petitioner. The number of New ABH Common Stock attributable to each Petitioner is fixed under the CCAA Plan (as it is with each U.S. Debtor under the Chapter 11 Plan) but the total allowed claims against each entity has not yet been finally determined. As such, the Affected

⁵ “**Election Notice**” is defined herein to mean the election notice included in the form of Proxy which permits Affected Unsecured Creditors to make an election, if eligible, to receive the Cash Distribution or New ABH Shares.

⁶ “**Election Deadline**” is the deadline for filing a Proxy.

Unsecured Creditors' entitlement under the CCAA Plan to their *pro rata* number of shares of New ABH Common Stock in respect of each Petitioner will be not be finally determined until all claims have been finally resolved for each Petitioner pursuant to the process set forth in the Claims Procedure Orders (as defined herein).

Certain Claims of the Cross-Border Petitioners

58. As set out in the Thirty-Second Report of the Monitor dated February 19, 2010, the U.S. Bankruptcy Code establishes certain priorities with respect to creditor claims that are not recognized as priority claims under the CCAA. Creditors of the Cross-Border Petitioners are affected by these differences. The following are examples of priorities afforded under the U.S. Bankruptcy Code that are not provided for under the CCAA include:

- (i) an administrative expense priority claim in favour of an unpaid supplier of goods received by the Cross-Border Petitioners within twenty days before the filing of the Chapter 11 Proceedings and sold in the ordinary course of the Cross-Border Petitioners' business (the "**503(b)(9) Claim**");
- (ii) a priority claim in favour of employees for (i) wages, salaries or commissions including vacation, severances and sick leave earned during the 180 days before the filing (the "**Wage Priority Claim**") and (ii) contributions made to an employment benefit plan arising from services rendered during the 180 day period before the filing (the "**Priority Benefit Claim**"), each subject to certain limits and deductions; and
- (iii) an administrative expense priority claim for wages, salaries and commissions for services rendered to a Cross-Border Petitioner after the date of filing (the "**Administrative Claim**").

59. The 503(b)(9) Claim, the Wage Priority Claim, the Priority Benefit Claim and the Administrative Claim are collectively referred to herein as the "**Priority Claims**".

60. The Chapter 11 Plan, which applies to the U.S. Debtors and the Cross-Border Petitioners, contemplates a cash payment in full of the Priority Claims. The CCAA Plan also

recognizes the Priority Claims for the Cross-Border Petitioners and treats them in the same manner as the Chapter 11 Plan as “administrative claims” (which are treated as Excluded Claims under the CCAA Plan).

61. Accordingly, the employees of the Cross-Border Petitioners will receive cash payments for their Priority Claims, whereas the employees of the Petitioners that are not Cross-Border Petitioners are not entitled to such treatment in the CCAA Proceedings.
62. In an effort to treat all employees equally, the Petitioners in the CCAA Proceedings (other than the Cross-Border Petitioners) will, pursuant to Article 3.8 of the CCAA Plan, as soon as practicable after the Implementation Date, make a supplemental distribution (the “**Supplemental Distribution**”) in cash (up to a maximum individual amount to be determined by the Petitioners, in consultation with the Monitor) to such present and former employees who (i) were employed by the Petitioners (other than the Cross-Border Petitioners) on or after the date of the Initial Order and (ii) hold an Affected Unsecured Claim that is a proven claim. However, the aggregate amount of the Supplemental Distribution payable to all employees shall not exceed CDN\$5 million. The Supplemental Distribution is to be determined for each employee with reference to the calculations used to determine the Priority Claims for the Cross-Border Petitioners. The payment of a Supplemental Distribution to an employee will reduce that employee’s Affected Unsecured Claim by the amount of the Supplemental Distribution received by that employee.

The Rights Offering

63. Affected Unsecured Creditors (excluding those receiving the Cash Distribution) have been given the option, along with the unsecured creditors of the U.S. Debtors, to purchase up to \$500 million of subordinated convertible notes (the “**Rights Offering**”). This Rights Offering will form part of the Petitioners’ Exit Financing (defined below).
64. As set out in Article 6.1(a)(ii) of the CCAA Plan, ABH intends to secure exit loan facilities (the “**Exit Financing**”) in an aggregate amount of up to \$2.3 billion (less cash on hand and proceeds from the Rights Offering) in order to make all cash distributions

required under the Plans and to provide on-going financing to the restructured organization.

65. To ensure that the Rights Offering is successful in raising the required funds, on May 24, 2010 ABH entered into an agreement with certain investors (the “**Backstop Investors**”)⁷ concerning their commitment to purchase any notes that are not subscribed by the Affected Unsecured Creditors in the Rights Offering (the “**Backstop Commitment Agreement**”). The Backstop Commitment Agreement was subsequently amended and was approved by this Honourable Court on June 23, 2010 and by the U.S. Bankruptcy Court on June 25, 2010.
66. The Petitioners have advised the Monitor that the Rights Offering is an alternative financing source that they intend to use only to the extent necessary to supplement the Exit Financing package available to ABH. Therefore, while the Plans presently contemplate that Affected Unsecured Creditors will be provided with the opportunity to participate in the Rights Offering, the Petitioners have the right to reduce the size of the Rights Offering or to cancel it altogether if the Petitioners raise the necessary Exit Financing from other sources.

The Creditors’ Meeting

67. The Creditors’ Meeting has been scheduled for September 14, 2010 in Montreal, Quebec. Unless adjourned or rescheduled, at the Creditors’ Meeting, the Affected Unsecured Creditors will consider and, if thought advisable, adopt a resolution approving the CCAA Plan, with or without variation.

⁷ The Backstop Investors include Fairfax Financial Holdings Limited, Avenue Capital Management II, L.P., Paulson Credit Opportunities Master Ltd., Barclays Bank plc, Steelhead Navigator Master, L.P., J.P. Morgan Securities Inc. and Whitebox Advisors, LLC.

Classes of Creditors

68. Pursuant to section 2.2 of the CCAA Plan there are 20 classes of creditors for voting and distribution purposes being the class of general unsecured creditors of each one of the Petitioners listed below (collectively, the “**CCAA Plan Applicants**”):⁸

- (i) ACI
- (ii) ACCC
- (iii) BCFPI
- (iv) Saguenay Forest Products Inc.
- (v) Bowater Canada Finance Corporation (“**BCFC**”)
- (vi) 3224112 Nova Scotia Limited
- (vii) Marketing Donohue Inc.
- (viii) 3834328 Canada Inc.
- (ix) 6169678 Canada Inc.
- (x) 1508756 Ontario Inc.
- (xi) The Jonquière Pulp Company
- (xii) The International Bridge and Terminal Company
- (xiii) Abitibi-Consolidated (U.K.) Inc.
- (xiv) Scramble Mining Ltd.
- (xv) Terra Nova Explorations Ltd.
- (xvi) AbitibiBowater Canada Inc.
- (xvii) Bowater Maritimes Inc.
- (xviii) Abitibi-Consolidated Nova Scotia Incorporated
- (xix) Abitibi-Consolidated Canadian Office Products Holding Inc.
- (xx) Donohue Recycling Inc.

Effect of a No Vote for a CCAA Plan Applicant

69. In the event that the Affected Unsecured Creditors in any particular class do not vote in favour of the CCAA Plan by the required majorities representing 2/3 of the value of proven claims and the majority in number of the votes cast by Affected Unsecured Creditors of that class at the Creditors’ Meeting (the “**Required Majorities**”) for the specific CCAA Plan Applicant (a “**No Vote Applicant**”) then:

- (i) the Affected Unsecured Creditors of the No Vote Applicant shall be treated as Unaffected Creditors under the CCAA Plan and shall not receive any distributions contemplated under the CCAA Plan;

⁸ The remaining Petitioners and Partnerships have nominal assets or claims and are not addressed in the CCAA Plan.

- (ii) any intercompany claims owing to the No Vote Applicant shall be compromised under the CCAA Plan; and
 - (iii) any equity interests held by the No Vote Applicant in any of the other Petitioners or Partnerships shall be changed, exchanged, cancelled, redeemed, reorganized, transferred or otherwise dealt with for nil consideration at the discretion of the No Vote Applicant.
70. A Liquidation Analysis (as defined herein), prepared by the Monitor, for each of the CCAA Plan Applicants in the event that the Affected Unsecured Creditors do not vote in favour of the CCAA Plan by the Required Majorities, is described later in this Fifty-Seventh Report.

Conditions to Implementation of the CCAA Plan

71. The following represents a high level summary of certain of the key conditions which are required to be fulfilled before the CCAA Plan can be implemented and the Petitioners are able to emerge from these CCAA Proceedings (the balance of the conditions which are required to be fulfilled or waived before implementation are described in detail in the CCAA plan and in the Information Circular):
- (i) a final order from this Honourable Court sanctioning the CCAA Plan (the “**Sanction Order**”) shall have been obtained;
 - (ii) any other order deemed necessary or desirable by ABH from the U.S. Bankruptcy Court, including an order approving the CCAA Plan in the Chapter 15 Proceedings, shall have been obtained;
 - (iii) the Exit Financing and all related agreements and other documents shall have become effective, subject only to the implementation of the CCAA Plan;
 - (iv) the Backstop Commitment Agreement in connection with the Rights Offering shall not have been terminated;

- (v) the union agreements contemplated by CCAA Plan, or any subsequent amendments, shall have been executed and ratified by all unions, in form and substance satisfactory to the Petitioners;
- (vi) the following regulations shall have been adopted in form and substance satisfactory to the Petitioners (together, the “**Special Funding Relief Regulations**”):
 - (a) a special funding relief regulation pursuant to the *Supplemental Pension Plans Act* (Québec) for the benefit of ABH and its subsidiaries with respect to the funding of the defined benefit registered pension plans under that Act; and
 - (b) a special funding relief regulation pursuant to the *Pension Benefits Act* (Ontario) for the benefit of ABH and its subsidiaries with respect to the funding of the defined benefit registered pension plans under that Act; and
- (vii) all conditions precedent to the implementation of the Chapter 11 Plan (but for the implementation of the CCAA Plan) shall have been satisfied or waived.

72. The following is a summary of the status with respect to the Petitioners’ progress in satisfying a number of the key conditions:

(i) *Special Funding Relief Regulations*

As reported in the Tenth Report of the Monitor dated July 10, 2009, the Petitioners’ annual solvency deficiency pension plan funding at that time was estimated to be CDN\$102.4 million for the ACI Group and CDN\$56.9 million for BCFPI per annum. The Special Funding Relief Regulations are required in Quebec and Ontario as the Petitioners cannot afford these levels of funding.

The Petitioners have advised the Monitor that discussions with the pension regulator and government in Quebec have progressed to a stage where an agreement in principle has been reached. There are significant steps to finalize

the funding relief. Discussions with the pension regulators in Ontario have not progressed to a similarly advanced stage. The Petitioners have advised the Monitor that in both instances they are optimistic that the required approvals will be obtained.

The Monitor also notes that, as detailed in the Information Circular (in Section “H. Pension Plan Arrangements”), current employees of the Petitioners who are enrolled in a registered defined benefit pension will be enrolled in new target benefit pension plans (for unionized employees) or defined contribution pension plans (for non-unionized employees). Pension benefits paid from registered pension plans to existing retirees are not currently affected by the CCAA Plan and benefits paid by such plans will not change, provided that the Special Funding Relief Regulations are obtained and the CCAA Plan is implemented.

(ii) Need to Raise Exit Financing of \$2.3 Billion (less cash on hand and proceeds from the Rights Offering)

This will provide ABH with a target liquidity of \$600 million on implementation of the CCAA Plan after funding the Cash Distributions and other payments required under the Plans.

ABH has informed the Monitor that the Exit Financing is expected to be comprised of: (i) up to \$600 million of financing from an asset-based lending facility (the “**ABL**”) plus (ii) a combination of funds from the issuance of high yield notes (or, alternatively, new term debt) and up to \$500 million of financing from the Rights Offering, and (iii) CDN\$130 million from the NAFTA Settlement Agreement. ABH has the option of decreasing the quantum of funds raised pursuant to the Rights Offering if alternate financing, such as an increase of financing received from the issuance of high yield notes, can be raised.

As reported in the Fifty-Fourth Report of the Monitor dated August 27, 2010, ABH has entered into a work fee letter with J.P. Morgan Securities Inc. (“**JP Morgan**”), Barclays Capital Inc. (“**Barclays**”) and Citigroup Global Markets Inc.

(“Citigroup”) regarding the raising of the ABL and the high yield notes/term debt. The Monitor has been advised by ABH that JP Morgan, Barclays and Citigroup have committed to provide an aggregate of \$300 million towards the total projected ABL facility of \$600 million (subject to certain conditions being met) and are currently in the process of meeting with other potential lenders to receive commitments for the balance of the ABL facility. ABH is also in the process of completing an offering memorandum for public high yield notes and expects to be commencing an investor “roadshow” in mid-September.

(iii) *The Chapter 11 Plan to be Consummated*

The deadline for the submission of objections to the Chapter 11 Plan is September 13, 2010. The U.S. Bankruptcy Court hearing to confirm the Chapter 11 Plan, if accepted by the requisite majorities of creditors, is currently scheduled for September 24, 2010.

Other Elements of the CCAA Plan

Distributions under the CCAA Plan

73. Pursuant to the CCAA Plan, the Monitor shall make distributions under the CCAA Plan in accordance with the following terms:
- (i) the initial distribution shall be made to the Affected Unsecured Creditors with proven claims as of the initial distribution record date as determined in the Sanction Order, with such distribution to be made following the period of ten days after the Implementation Date or such longer period as determined by the Petitioners in consultation with the Monitor (the “**Initial Distribution Date**”);
 - (ii) interim distributions shall be made to Affected Unsecured Creditors that had disputed or unproven claims at the Initial Distribution Date once their claims are accepted by the Monitor (or in accordance with a determination by a Claims Officer or by this Honourable Court) on the first business day that is 60 days after

the Initial Distribution Date and every 60 days thereafter unless otherwise determined by the Monitor;

- (iii) the Supplemental Distributions shall be made to employees as soon as practicable after the Implementation Date;
- (iv) Affected Unsecured Creditors with guarantee claims against multiple Petitioners or the U.S. Debtors, shall receive distributions, if any, from each of the Petitioners or U.S. Debtors against which they have valid proven claims;
- (v) all distributions shall be made net of all applicable taxes; and
- (vi) for the Cross-Border Petitioners, under the Chapter 11 Plan, no distributions shall be made on account of a proven 503(b)(9) Claim unless the Monitor provides 60 days advance notice of such distribution to the Post-Effective Date Claims Agent (as defined in the Chapter 11 Plan) or as ordered by a Court, unless the Post-Effective Date Claims Agent waives the 60 day period or the Affected Unsecured Creditor withdraws its 503(b)(9) Claim.

Restructuring Transactions

- 74. In order to implement the CCAA Plan, the Petitioners contemplate undertaking a series of transactions (the “**Restructuring Transactions**”) which may include one or more incorporations, mergers, amalgamations, consolidations, arrangements, continuations, restructurings, conversions, liquidations, winding-ups, dissolutions, transfers, reorganizations, repayments, redemptions, exchanges, cancellations, discharges or other transactions, all of which have been described in a notice dated September 1, 2010 and posted on the Monitor’s website (the “**Restructuring Transaction Notice**”).
- 75. The main objectives of the Restructuring Transactions are to simplify the corporate organization and to preserve, as much as possible, the tax attributes currently held by the Petitioners. The Petitioners have consulted with the Monitor during the course of developing the Restructuring Transactions, particularly with respect to the tax effects thereof. However, the Monitor’s approval of the Restructuring Transactions is required

and the Monitor is currently performing a review and analysis thereof prior to providing such approval. This process is anticipated to be completed prior to the Creditors' Meeting and the Monitor shall confirm its position in a supplemental or subsequent report at or prior to the Creditors' Meeting.

76. The Monitor notes, based on its preliminary review, that BCFC is not liquidated, dissolved or amalgamated as part of the Restructuring Transactions.

Releases under the CCAA Plan

77. The CCAA Plan provides for releases in favour of the following parties (each of which is as defined in the CCAA Plan, unless otherwise defined herein): (i) the CCAA Plan Applicants, (ii) the Partnerships, (iii) the subsidiaries of Reorganized ABH, (iv) the Monitor, (v) the Chief Restructuring Officer, (vi) the BI DIP Lenders and the BI DIP Agent, each in their capacity as such, (vii) Citibank, N.A., Barclays Bank Plc and Barclays Capital Inc., in their respective capacities under the Securitization Facility, (viii) the Ad Hoc Committee, (ix) the UCC, (x) the Indenture Trustees, (xi) the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, and (xii) the Backstop Investors.
78. The CCAA Plan also contemplates releases in favour of the Petitioners, the U.S. Debtors, Bridgewater and the 15.5% Senior Unsecured Notes Indenture Trustee, each as more fully described in the CCAA Plan.

Management Incentive Plans

79. Under the CCAA Plan, the Petitioners contemplate implementing on or after the Implementation Date: (i) a short term incentive plan for directors and certain members of management, (ii) a long-term equity incentive plan for senior management (defined earlier in this Report as the "LTIP"), (iii) a restructuring recognition award, and (iv) an executive severance policy. In addition, on and after the Implementation Date, ABH will assume executive severance policies, as amended, for U.S. and Canadian executives.

THE CLAIMS PROCESS

Background

80. On August 26, 2009 this Honourable Court issued an Order (the “**Claims Procedure Order**”) setting out the procedures for the filing of certain claims against the Petitioners (the “**Claims Process**”).
81. Pursuant to further Orders of this Honourable Court, the Claims Process was supplemented and modified, including the issuance of an Order approving the methodology applicable to the review and determination of claims (collectively with the Claims Procedure Order, referred to as the “**Claims Procedure Orders**”).

Claims Update

82. A table providing an update on the claims filed and the status of those claims is shown below (the “**Claims Chart**”). The Monitor has been updating the Claims Chart on a weekly basis since June 7, 2010 and posts an updated Claims Chart on its website every week.
83. As of the date of this Fifty-Seventh Report, a total of 8,263 proofs of claim with a claim value of approximately CDN\$77.0 billion have been filed with the Monitor with respect to the Petitioners. Of these claims, approximately CDN\$9.5 billion in value are secured claims and related guarantee claims (against Petitioners who guaranteed the secured debt), as well as construction lien claims and property tax claims (collectively, “**Secured Claims**”), which, if proven, will be treated as Unaffected Creditors in these CCAA Proceedings. The total value of the Secured Claims filed is approximately US\$1.1 billion, exclusive of claims filed against guarantors who are also Petitioners (which total approximately CDN\$8.2 billion). Once these Secured Claims are excluded from the total filed claims, the estimate of filed unsecured claims is reduced to approximately CDN\$67.5 billion.
84. As of September 1, 2010, the status of the resolution pursuant to the Claims Procedure Orders of the unsecured claims for each CCAA Petitioners that has filed a Plan of Arrangement can be summarized as follows:

ABITIBIBOWATER CLAIMS SUMMARY								
In Millions of Canadian Dollars as at September 1, 2010								
Petitioners	Unsecured Claims Review Status							
	Total Unsecured Claims Filed Net of Estimated Secured Claims (1)	Claims Under Review (2)	Subject to Cross- Border Protocol Notice Period (3)	Subject to Revision or Disallowance Notice Periods (4)	Claims in Dispute (5)	Claims Accepted To Date	Revised, Amended and Disallowed Portion (6)	
ACI Affected Unsecured Creditor Class	\$ 7,568.1	\$ 144.5	\$ -	\$ 7.4	\$ 3,477.3	\$ 3,687.1	\$ 251.8	
ACCC Affected Unsecured Creditor Class	7,443.1	187.8	-	25.2	2,898.4	3,799.3	532.4	
15.5% Guarantor Applicant Affected Unsecured Creditor Classes in respect of each of the following:								
3224112 Nova Scotia Limited	3,199.8	-	-	-	2,740.8	371.5	87.6	
Marketing Donohue Inc.	3,169.4	-	-	-	2,710.3	371.5	87.6	
Abitibi-Consolidated Canadian Office Products Holding Inc.	3,171.9	2.5	-	-	2,710.3	371.5	87.6	
3834328 Canada Inc.	3,169.4	-	-	-	2,710.3	371.5	87.6	
6169678 Canada Inc.	3,169.4	-	-	0.0	2,710.3	371.5	87.6	
Donohue Recycling Inc.	3,169.9	-	-	-	2,710.3	371.7	87.9	
1508756 Ontario Inc.	3,172.4	0.0	-	0.0	2,710.3	371.5	90.6	
The Jonquiere Pulp Company	3,169.4	-	-	-	2,710.3	371.5	87.6	
The International Bridge and Terminal Company	3,169.4	-	-	-	2,710.3	371.5	87.6	
Scramble Mining Ltd.	3,169.4	-	-	-	2,710.3	371.5	87.6	
Terra Nova Explorations Ltd.	3,169.4	-	-	0.0	2,710.3	371.5	87.6	
Abitibi Consolidated (UK) Inc.	2,927.9	-	-	-	2,557.9	371.5	(1.5)	
Saguenay Forest Products Affected Unsecured Creditor Class	3,176.4	5.5	-	0.2	2,710.3	372.3	88.1	
BCFPI Affected Unsecured Creditor Class	1,149.3	222.6	0.2	7.2	334.3	261.2	323.7	
BCFC Affected Unsecured Creditor Class	1,496.8	0.3	-	753.1	152.3	-	591.0	
AbitibiBowater Canada Affected Unsecured Creditor Class	408.9	3.8	-	0.0	306.4	-	98.7	
Bowater Maritimes Affected Unsecured Creditor Class	249.8	3.3	-	0.0	152.4	1.1	92.9	
Abitibi-Consolidated Nova Scotia Incorporated	3,138.9	0.0	-	-	2,679.8	371.5	87.6	
Others (7)	5,073.9	1.7	-	0.1	3,199.3	0.1	1,872.7	
Estimated Net Consolidated Claims (8)	\$ 67,632.6	\$ 672.1	\$ 0.2	\$ 793.2	\$ 48,312.3	\$ 12,950.6	\$ 4,904.2	
(1) Secured Claims include guarantee claims filed against multiple entities, construction lien claims and property tax claims. Total Secured Claims filed, excluding guarantee claims, total \$1.2 billion prior to any payments applied thereon, including from the allocation of the MPCo sale proceeds. These claims include the Senior Secured Notes, the ACCC Term Loan, and the Bank of Nova Scotia, as well as certain property tax and construction lien claims								
(2) Represents claims for which the Monitor has not completed his assessment of the amount claimed.								
(3) Notice of the determination of certain claims by the Monitor are to be provided to the Unsecured Creditors' Committee or the Ad Hoc Unsecured Noteholders Committee under the Cross-border Claims Protocol and are subject to a fifteen (15) business day period before the Monitor proceeds with acceptance, revision or disallowance of such claims.								
(4) The claim amount represents the filed amount of claims that have been revised or disallowed by the Monitor, but for which the 10 business day period during which a claimant may dispute the Monitor's revision or disallowance has yet to expire.								
(5) Represents claims for which the Monitor has issued a Notice of Revision or Disallowance and for which the Affected Unsecured Creditor has filed a Notice of Dispute in respect thereof. Claim amounts are shown herein at the original filed amount.								
(6) Includes claims reductions on account of amended claims filed, withdrawn claims, and disallowed claims.								
(7) "Other CCAA Filed Entities" represents claims filed against various Applicants, which are expected to be disallowed in full. This data remains subject to change as individual claims are reviewed and analyzed.								
(8) Minor discrepancies in the totals may be present due to rounding adjustments.								

85. The Monitor notes that although the number of claims in dispute (where a creditor has filed a Notice of Dispute pursuant to the Claims Procedure Orders) totals approximately CDN\$48.3 billion, these disputed claims include the following specific claims totalling approximately CDN\$47.0 billion that are expected to be withdrawn once specific conditions have been met:

- (i) Cheshire Recycling Limited (“**Cheshire**”) and Bridgewater are two UK subsidiaries of ACI that are under Court administration in the UK. Both entities have guaranteed certain secured debt obligations of ACCC (in particular the ACCC Term Lenders and the SSNs) and the 15.5% Senior Unsecured Notes (each as defined in the CCAA Plan) for amounts totalling approximately CDN\$1.3 billion at the date of original issue of such debt instruments. Cheshire and Bridgewater have each received notice from certain of these ACCC creditors to pay on their guarantees. Cheshire and Bridgewater have each, in turn, filed claims for the maximum exposure on their guarantee claims against all borrowers and guarantors on such debt instruments, which has resulted in a total of 32 claims being filed against the Petitioners, aggregating approximately CDN\$40.9 billion.

The CCAA Plan provides that the ACCC Term Lenders and the SSNs, as holders of Secured Claims, will be paid in full on emergence. In addition, the 15.5% Senior Unsecured Notes are expected to receive full recovery under the CCAA Plan (as discussed more fully later in this Fifty-Seventh Report). As a result, Cheshire and Bridgewater’s claims will likely be extinguished.

- (ii) Quebecor World / World Color Press (“**QWI**”) and their related companies are customers of ABH. As part of their normal operations, ABH and its predecessor entities entered into various volume rebate agreements whereby specific discounts and rebates are accumulated and periodically remitted to QWI. As of April 17, 2009, QWI estimates that ABH owed QWI an aggregate amount of CDN\$30.5 million on account of such rebates. Due to the numerous QWI entities dealing with the various ABH related entities and the uncertainty as to the proper ABH entity against which to file such claims, five QWI related entities each filed proofs of claim in November, 2009 of approximately CDN\$30.5 million against each of the 40 Petitioners for a total of 200 claims representing approximately CDN\$6.1 billion.

In June 2010, QWI and ABH entered into an agreement whereby QWI agreed to withdraw all 200 filed claims as part of a global settlement that also served to resolve all ABH claims filed against QWI as part of QWI's restructuring proceedings initiated in 2008. That agreement was approved by the Monitor and the details of the agreement were described for the benefit of all stakeholders and this Honourable Court in the Forty-Seventh Report of the Monitor dated July 6, 2010. The agreement is subject to a number of approvals including that of the U.S. Bankruptcy Court supervising the QWI restructurings and the relevant respective unsecured creditor committees in the United States. As of the date of this Report, this agreement has yet to be ratified by all of the affected parties but is progressing through the various approval levels.

In light of these facts, the Monitor expects that the Notices of Dispute filed by QWI on account of these claims will ultimately be withdrawn.

86. In order to provide the Affected Unsecured Creditors voting on the CCAA Plan with an estimate of the likely range of potential claims expected to be allowed ultimately against each of the Petitioners, which will, in turn, determine the *pro rata* distribution of the new ABH Common Stock to be allocated to each of the Petitioners, the Monitor has prepared a "Low" to "High" estimate in the following schedule:

ABITIBIBOWATER ESTIMATE OF CLAIMS TO BE PROVEN IN THE CCAA PROCESS						
In Millions of Canadian Dollars as at September 1, 2010						
Petitioners	Claims Under Review (1)		Claims Accepted To Date		Preliminary Estimate of Range of Potential Resolution of Claims subject to Dispute Notices (2)	
					Estimate of Claims to be Proven in the CCAA Process (3)	
	A	B	Low	High	Low	High
ACI Affected Unsecured Creditor Class	\$ 144.5	\$ 3,687.1	\$ 130.6	\$ 478.7	\$ 3,962.2	\$ 4,310.3
ACCC Affected Unsecured Creditor Class	187.8	3,799.3	15.1	49.8	4,002.2	4,036.9
15.5% Guarantor Applicant Affected Unsecured Creditor Classes in respect of each of the following:						
3224112 Nova Scotia Limited	-	371.5	-	-	371.5	371.5
Marketing Donohue Inc.	-	371.5	-	-	371.5	371.5
Abitibi-Consolidated Canadian Office Products Holding Inc.	2.5	371.5	-	-	374.0	374.0
3834328 Canada Inc.	-	371.5	-	-	371.5	371.5
6169678 Canada Inc.	-	371.5	-	-	371.5	371.5
Donohue Recycling Inc.	-	371.7	-	-	371.7	371.7
1508756 Ontario Inc.	-	371.5	-	-	371.5	371.5
The Jonquiere Pulp Company	-	371.5	-	-	371.5	371.5
The International Bridge and Terminal Company	-	371.5	-	-	371.5	371.5
Scramble Mining Ltd.	-	371.5	-	-	371.5	371.5
Terra Nova Explorations Ltd.	-	371.5	-	-	371.5	371.5
Abitibi Consolidated (UK) Inc.	-	371.5	-	-	371.5	371.5
Saguenay Forest Products Affected Unsecured Creditor Class	5.5	372.3	-	0.2	377.8	378.0
BCFPI Affected Unsecured Creditor Class	222.6	261.2	60.7	191.4	544.6	675.2
BCFC Affected Unsecured Creditor Class	0.3	-	753.1	753.1	753.4	753.4
AbitibiBowater Canada Affected Unsecured Creditor Class	3.8	-	-	0.1	3.8	3.9
Bowater Maritimes Affected Unsecured Creditor Class	3.3	1.1	-	0.1	4.4	4.6
Abitibi-Consolidated Nova Scotia Incorporated	0.0	371.5	-	-	371.5	371.5
Others	1.7	0.1	-	0.1	1.8	1.8
Estimated Net Consolidated Claims	\$ 572.1	\$ 12,950.5	\$ 959.5	\$ 1,473.4	\$ 14,482.1	\$ 14,996.0
(1) Represents claims for which the Monitor has not yet completed its assessment of the amount claimed. These claim amounts will be accepted or revised as individual claim reconciliations are completed. For purposes of this analysis, these claims are reflected at the value claimed in the proof of claim.						
(2) Claims subject to Notices of Dispute consist of unsecured claims that are subject to i) cross-border protocol notice period; ii) subject to revision or disallowance notice periods; and iii) claims in dispute. The amounts estimated in the "Low" to "High" columns represent the Monitor's preliminary assessment as to the potential final resolution of each of these claims.						
(3) Final estimated claim values remain subject to change as additional claims are received.						

87. The Monitor's assessment of "Low" and "High" *Estimate of the Claims to be Proven in the CCAA Process* for individual disputed claims was determined based on the information available as of the date of this Report and remains subject to change as additional information is obtained. Ultimately, the value of claims subject to dispute will be determined according to the procedures provided in the Claims Procedure Orders. This estimate by the Monitor is only meant to provide an illustration of an estimated range of potential resolutions of claims.

LIQUIDATION ANALYSIS AND COMPARISON TO THE PETITIONERS' ESTIMATE OF RECOVERIES FOR AFFECTED UNSECURED CREDITORS PURSUANT TO THE CCAA PLAN

88. If the CCAA Plan Applicants are unable to implement the CCAA Plan then the stay of proceedings granted by this Honourable Court may be lifted, in which case substantially all of the CCAA Plan Applicants' debt obligations, which are estimated to be in the total range of \$15 billion including guarantee claims (as further detailed in the Liquidation Analysis set forth in the Information Circular) would become due and owing. These obligations include guarantor claims by certain bondholders against a number of the Petitioners with respect to guarantees provided on certain notes and debentures issued by ACCC and/or ACI.
89. The Petitioners do not have sufficient financial resources to pay these obligations. Accordingly, it is the Monitor's view that this would likely result in applications by the CCAA Plan Petitioners or their creditors under the CCAA, the *Bankruptcy and Insolvency Act* or other statutes to allow their creditors to realize upon the CCAA Plan Applicants' assets (the "Assets"). In the Monitor's view, such realization proceedings would likely result in a sale of certain of the CCAA Plan Applicants' select operations on a going concern basis, an orderly wind down of the remaining operations and the liquidation of the remaining Assets.
90. The Monitor, with the assistance of the Petitioners, has prepared an illustrative estimate of the net realizable value of the Assets for each of the CCAA Plan Applicants assuming liquidation proceedings, based on the assets and liabilities as they appear in the CCAA Plan Applicants' financial records as at March 31, 2010. The illustrative estimate of the realization value is referred to herein as the "**Liquidation Analysis**".
91. The Liquidation Analysis is detailed in Appendix F to the Information Circular.

Estimated Recoveries Under the CCAA Plan

92. The Information Circular provides illustrative recoveries for the Affected Unsecured Creditors of each CCAA Plan Applicant, which are summarized in the table below. Certain key assumptions and other significant items are summarized below:

- (i) the mid-point estimated going concern Enterprise Value of the Reorganized ABH is \$3.7 billion and the estimated mid-point equity value for the New ABH Common Stock (the “**Equity Value**”) is \$2.4 billion as determined by ABH with the assistance of Blackstone;
- (ii) the allocation of the number of shares of New ABH Common Stock to the Affected Unsecured Creditors of each of the CCAA Plan Applicants is set out in Schedules C and D of the CCAA Plan. This allocation determines the number of shares of New ABH Common Stock of Reorganized ABH to be allocated to each of the CCAA Plan Applicants. Therefore, this allocation determines the amount of the estimated Equity Value of the Reorganized ABH that will be available to be shared among the Affected Unsecured Creditors of each of the CCAA Plan Applicants; and
- (iii) the illustrative recoveries are based only on a preliminary estimate of proven claims of each of the Affected Unsecured Creditors, which proven claims will share on a *pro rata* basis in the shares of New ABH Common Stock allocated to each specific CCAA Plan Applicant. Since the shares of New ABH Common Stock to be allocated to all of the Affected Unsecured Creditors of each of the CCAA Plan Applicants is a fixed number of shares as set out in Schedules C and D of the CCAA Plan, the number of shares of New ABH Common Stock to be received by each Affected Unsecured Creditor of each of the CCAA Plan Applicants will only be determined when the final quantification of all Proven Claims for each such CCAA Plan Applicants is determined.

93. The following summary of estimated CCAA Plan recoveries compared to a range of estimated liquidation values was included in the “Recommendation of the Monitor” section of the Information Circular:

Applicant	Estimated Recovery for Affected Unsecured Creditors Under the CCAA Plan	Illustrative Percentage Recoveries for Unsecured Claims	
		Low	High
Abitibi-Consolidated Inc.	3.4%	1.0%	3.0%
Abitibi-Consolidated Company of Canada	17.1%	1.3%	14.2%
15.5% Guarantor Applicant Affected Unsecured Creditor Classes in respect of each of the following:			
3224112 Nova Scotia Limited	0.0%	0.0%	0.0%
Marketing Donohue Inc.	0.0%	0.0%	0.0%
3834328 Canada Inc.	0.0%	0.0%	0.0%
6169678 Canada Inc.	0.0%	0.0%	0.0%
1508756 Ontario Inc.	0.0%	0.0%	0.0%
The Jonquière Pulp Company	0.0%	0.0%	0.1%
The International Bridge and Terminal Company	0.0%	0.7%	1.3%
Abitibi-Consolidated (U.K.) Inc.	0.0%	3.7%	4.3%
Scramble Mining Ltd.	0.0%	0.0%	0.0%
Terra Nova Explorations Ltd.	0.0%	0.0%	0.0%
Saguenay Forest Products Inc.	4.2%	2.4%	4.0%
Bowater Canadian Forest Products Inc.	36.5%	7.5%	21.2%
Bowater Canada Finance Corporation	0.9%	0.0%	0.0%
AbitibiBowater Canada Inc.	0.0%	0.0%	0.0%
Bowater Maritimes Inc.	20.8%	4.0%	9.4%
Abitibi-Consolidated Nova Scotia Incorporated	43.0%	0.1%	0.1%
Abitibi-Consolidated Canadian Office Products Holding Inc.	0.0%	0.0%	0.0%
Donohue Recycling Inc.	0.0%	0.0%	0.0%
This percentage represents the estimated recovery on all Claims against ACI, ACCC, the Jonquière Pulp Company, The International Bridge and Terminal Company, Terra Nova Explorations Inc., Saguenay Forest Products, Abitibi-Consolidated (U.K.) Inc. and ACNSI, respectively, other than the 15.5% Senior Unsecured Notes Claims.			

94. As set forth above, certain CCAA Plan Applicants have no estimated recoveries under the CCAA Plan. Such CCAA Plan Applicants generally have nominal assets or no proven claims. Most of these entities are included in the entities comprising the 15.5% Guarantor Applicants (as defined in the CCAA Plan). Accordingly, they only have one creditor group, the holders of the 15.5% Senior Unsecured Notes, which is receiving distributions from multiple CCAA Plan Applicants and the U.S. Debtors. The holders of 15.5% Senior Unsecured Notes will likely receive full recovery on account of their proven claims as these noteholders have claims against multiple CCAA Plan Applicants and U.S. Debtors, either as primary obligors or as guarantors, and their recovery is based on the estimated value of the New ABH Common Stock (as described in paragraph 92 above).

RECOMMENDATION

95. The Petitioners and the U.S. Debtors commenced formal restructuring proceedings more than 16 months ago. At that time, general economic conditions were very uncertain and the forestry sector itself was in extreme distress due to decreased demand in newsprint, the collapse of the housing construction industry in the United States and a general reduction in the consumption of newsprint and commercial paper demand brought about by the economic downturn and the credit crisis.
96. Since entering into the CCAA Proceedings and the Chapter 11 Proceedings, ABH and its subsidiaries and affiliates have implemented significant cost reductions and asset sales in order to streamline their business, reduce their debt and improve their overall cost structure.
97. ABH now believes that it has a network of low cost and competitive mills across North America that will enable it to operate profitably and withstand the cyclical fluctuations in the forestry market.
98. Collectively, the CCAA Plan and the Chapter 11 Plan provide for the repayment of ABH's secured debt (in excess of \$1.1 billion) and the conversion of in excess of \$7 billion of unsecured debt to equity in the Reorganized ABH.
99. As described earlier in this Fifty-Seventh Report, the recovery to the Affected Unsecured Creditors under the CCAA Plan is estimated to be greater than their likely recovery in a liquidation scenario. This estimate is based on the following assumptions: (i) the value of the shares of New ABH Common Stock to be issued under the CCAA Plan is consistent with that assumed by the Petitioners and Blackstone as summarized in Appendix H of the Information Circular; and (ii) the final quantification of the proven claims pursuant to the Claims Process is consistent with the estimated proven claims of each the Affected Unsecured Creditors as summarized in the Section "*The CCAA Plan - Illustrative Recoveries*" in the Information Circular.
100. Finally, the Monitor notes that if the Petitioners and the U.S. Debtors are able to implement the CCAA Plan, consummate the Chapter 11 Plan and raise the necessary Exit

Financing, then ABH will have effectively consolidated its capital structure for the first time since the merger of “Abitibi” and “Bowater”. In 2007, the two entities merged on an operational level, but their capital structures remained effectively siloed due to covenants in their respective credit agreements and other debt documents. The CCAA Plan and the Chapter 11 Plan will result in ABH having an integrated capital structure.

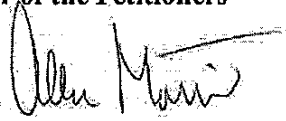
101. Furthermore, the Restructuring Transactions will significantly streamline and reduce the complexity of ABH’s organizational structure that, in the Monitor’s view, will create further synergies and benefits throughout the reorganized entity.
102. Based on the facts summarized above, it is the Monitor’s view that the Petitioners have acted and continue to act in good faith and with due diligence in their efforts to develop a restructuring plan for the benefit of all stakeholders. The Monitor believes the CCAA Plan will produce a more favourable result for the Affected Unsecured Creditors as a whole than would a liquidation of the CCAA Plan Applicants’ Assets in accordance with the assumptions set out in the Liquidation Analysis above.
103. A successful restructuring of the Petitioners will preserve significant social and economic benefits to the Canadian economy. As of March 31, 2010, ABH employed approximately 11,900 people, the majority of whom reside in Ontario and Quebec, and in many cases in regions of those Provinces that are economically dependent on the forestry sector. Further, local suppliers and contractors in these regions are, in many cases, economically dependent on the Petitioners. All of these stakeholders will benefit from having a stronger, more competitive ABH emerge from these proceedings.
104. Accordingly, the Monitor recommends that Affected Unsecured Creditors vote for the resolution to approve the CCAA Plan in respect of each class of Affected Unsecured Creditors to which they belong.

All of which is respectfully submitted.

ERNST & YOUNG INC.

**In its capacity as the Court-Appointed
Monitor of the Petitioners**

Per:

A handwritten signature in dark ink, appearing to read "Alex Morrison", written over a light gray rectangular background.

Alex Morrison, CA, CIRP
Senior Vice President

John Barrett, CA, CIRP
Senior Vice President

Martin Daigneault, 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

21. Bowater Canada Finance Corporation
22. Bowater Canadian Limited
23. Bowater Canadian Holdings. Inc.
24. 3231378 Nova Scotia Company
25. AbitibiBowater Canada Inc.
26. Bowater Canada Treasury Corporation
27. Bowater Canadian Forest Products Inc.
28. Bowater Shelburne Corporation
29. Bowater LaHave Corporation
30. St-Maurice River Drive Company Limited
31. Bowater Treated Wood Inc.
32. Canoxel Hardboard Inc.
33. 9068-9050 Québec Inc.
34. Alliance Forest Products Inc. (2001)
35. Bowater Belledune Sawmill Inc.
36. Bowater Maritimes Inc.
37. Bowater Mitis Inc.
38. Bowater Guérette Inc.
39. 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”

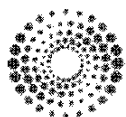
FORM 10-Q

AbitibiBowater Inc.

1155 METCALF STREET, SUITE 800
MONTREAL, A8, H3B 5H2
514-875-2160
[HTTP://WWW.ABITIBIBOWATER.COM](http://WWW.ABITIBIBOWATER.COM)

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 8/16/2010
Filed Period 6/30/2010



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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO**

COMMISSION FILE NUMBER: 001-33776

ABITIBIBOWATER INC.

(Exact name of registrant as specified in its charter)

Delaware

98-0526415

(State or other jurisdiction of incorporation or organization)

(I.R.S. employer identification number)

1155 Metcalfe Street, Suite 800; Montreal, Quebec; Canada H3B 5H2

(Address of principal executive offices) (Zip Code)
(514) 875-2160

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a smaller
reporting company)

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐
As of July 30, 2010, there were 54,704,593 shares of AbitibiBowater Inc. common stock outstanding.

**ABITIBIOWATER INC.
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ABITIBIBOWATER INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) (Unaudited, in millions except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Sales	\$ 1,182	\$ 1,036	\$ 2,282	\$ 2,149
Costs and expenses:				
Cost of sales, excluding depreciation, amortization and cost of timber harvested	951	784	1,866	1,572
Depreciation, amortization and cost of timber harvested	125	148	257	314
Distribution costs	141	119	278	234
Selling and administrative expenses	39	31	69	111
Closure costs, impairment and other related charges	3	240	8	270
Net gain on disposition of assets	(4)	(1)	(13)	(53)
Operating loss	(73)	(285)	(183)	(299)
Interest expense (contractual interest of \$172 and \$194 in the three months ended June 30, 2010 and 2009, respectively, and \$369 and \$386 in the six months ended June 30, 2010 and 2009, respectively)	(129)	(143)	(318)	(335)
Other income (expense), net	41	(30)	38	(31)
Loss before reorganization items and income taxes	(161)	(458)	(463)	(665)
Reorganization items, net (Note 3)	(148)	(89)	(353)	(99)
Loss before income taxes	(309)	(547)	(816)	(764)
Income tax benefit	9	34	10	41
Net loss including noncontrolling interests	(300)	(513)	(806)	(723)
Net loss (income) attributable to noncontrolling interests	3	3	9	(5)
Net loss attributable to AbitibiBowater Inc.	\$ (297)	\$ (510)	\$ (797)	\$ (728)
Net loss per share attributable to AbitibiBowater Inc. common shareholders:				
Basic and diluted	\$ (5.15)	\$ (8.84)	\$ (13.83)	\$ (12.62)
Weighted-average number of AbitibiBowater Inc. common shares outstanding:				
Basic and diluted	57.7	57.7	57.7	57.7

See accompanying notes to unaudited interim consolidated financial statements.

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ABITIBIBOWATER INC.

CONSOLIDATED BALANCE SHEETS (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) (Unaudited, in millions, except per share amount)

	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 708	\$ 756
Accounts receivable, net	828	644
Inventories, net	515	581
Assets held for sale	9	52
Other current assets	111	139
Total current assets	2,171	2,172
Fixed assets, net	3,402	3,897
Goodwill	53	53
Amortizable intangible assets, net	462	473
Other assets	561	517
Total assets	\$ 6,649	\$ 7,112
Liabilities and deficit		
Liabilities not subject to compromise:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 511	\$ 462
Debtor in possession financing	206	206
Secured borrowings	120	—
Short-term bank debt	680	680
Current portion of long-term debt	300	305
Liabilities associated with assets held for sale	3	35
Total current liabilities	1,820	1,688
Long-term debt, net of current portion	273	308
Pension and other postretirement projected benefit obligations	96	89
Other long-term liabilities	87	162
Deferred income taxes	96	107
Total liabilities not subject to compromise	2,372	2,354
Liabilities subject to compromise (Note 3)	7,065	6,727
Total liabilities	9,437	9,081
Commitments and contingencies		
Deficit:		
AbitibiBowater Inc. shareholders' deficit:		
Common stock, \$1 par value. 54.7 shares outstanding as of June 30, 2010 and December 31, 2009	55	55
Exchangeable shares, no par value. 3.0 shares outstanding as of June 30, 2010 and December 31, 2009	173	173
Additional paid-in capital	2,525	2,522
Deficit	(5,188)	(4,391)
Accumulated other comprehensive loss	(466)	(450)
Total AbitibiBowater Inc. shareholders' deficit	(2,901)	(2,091)
Noncontrolling interests	113	122
Total deficit	(2,788)	(1,969)
Total liabilities and deficit	\$ 6,649	\$ 7,112

See accompanying notes to unaudited interim consolidated financial statements.

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ABITIBIBOWATER INC.

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) (Unaudited, in millions)

	AbitibiBowater Inc. Shareholders' Deficit						
	Common Stock	Exchangeable Shares	Additional Paid-In Capital	Deficit	Accumulated Other Comprehensive Loss	Non- controlling Interests ⁽¹⁾	Total Deficit
Balance as of December 31, 2009	\$ 55	\$ 173	\$ 2,522	\$(4,391)	\$ (450)	\$ 122	\$ (1,969)
Share-based compensation costs for equity-classified awards	—	—	3	—	—	—	3
Net loss	—	—	—	(797)	—	(9)	(806)
Other comprehensive loss, net of tax	—	—	—	—	(16)	—	(16)
Balance as of June 30, 2010	\$ 55	\$ 173	\$ 2,525	\$(5,188)	\$ (466)	\$ 113	\$ (2,788)

(1) As of December 31, 2008, the balance of noncontrolling interests was \$136 million. During the six months ended June 30, 2009, amounts attributable to noncontrolling interests consisted of \$5 million of net income, \$6 million of other comprehensive income, net of tax, and \$7 million of dividends paid to noncontrolling interests, which resulted in a balance of noncontrolling interests of \$140 million as of June 30, 2009.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) (Unaudited, in millions)

	Six Months Ended June 30,	
	2010	2009
Net loss including noncontrolling interests	\$ (806)	\$ (723)
Other comprehensive income (loss):		
Change in unamortized prior service costs, net of tax of \$0 in 2010 and 2009	3	(4)
Change in unamortized actuarial gains and losses, net of tax of \$1 and \$0 in 2010 and 2009, respectively	(17)	(2)
Foreign currency translation	(2)	12
Other comprehensive (loss) income, net of tax	(16)	6
Comprehensive loss including noncontrolling interests	(822)	(717)
Less: Comprehensive loss (income) attributable to noncontrolling interests:		
Net loss (income)	9	(5)
Foreign currency translation	—	(6)
Comprehensive loss (income) attributable to noncontrolling interests	9	(11)
Comprehensive loss attributable to AbitibiBowater Inc.	\$ (813)	\$ (728)

See accompanying notes to unaudited interim consolidated financial statements.

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ABITIBIBOWATER INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) (Unaudited, in millions)

	Six Months Ended	
	June 30,	
	2010	2009
Cash flows from operating activities:		
Net loss including noncontrolling interests	\$ (806)	\$ (723)
Adjustments to reconcile net loss including noncontrolling interests to net cash (used in) provided by operating activities:		
Share-based compensation	3	3
Depreciation, amortization and cost of timber harvested	257	314
Closure costs, impairment and other related charges	8	270
Write-downs of inventory	—	12
Deferred income taxes	(7)	10
Net pension expense (contributions)	6	(188)
Net gain on disposition of assets	(13)	(53)
Amortization of debt discount (premium) and debt issuance costs, net	8	48
(Gain) loss on translation of foreign currency denominated debt	(5)	6
Non-cash reorganization items, net	306	46
Debtor in possession financing costs	5	29
Changes in working capital:		
Accounts receivable	(56)	148
Inventories	32	37
Other current assets	25	(25)
Accounts payable and accrued liabilities	199	78
Other, net	35	51
Net cash (used in) provided by operating activities	(3)	63
Cash flows from investing activities:		
Cash invested in fixed assets	(26)	(53)
Disposition of assets	62	69
Increase in restricted cash	(55)	—
Decrease in deposit requirements for letters of credit, net	—	39
Cash received in monetization of derivative financial instruments	—	5
Net cash (used in) provided by investing activities	(19)	60
Cash flows from financing activities:		
Decrease in secured borrowings, net	(21)	—
Cash dividends, including noncontrolling interests	—	(7)
Debtor in possession financing	—	236
Debtor in possession financing costs	(5)	(27)
Short-term financing, net	—	(24)
Payments of long-term debt	—	(5)
Payments of financing and bank credit facility fees	—	(9)
Net cash (used in) provided by financing activities	(26)	164
Net (decrease) increase in cash and cash equivalents	(48)	287
Cash and cash equivalents:		
Beginning of period	756	192
End of period	\$ 708	\$ 479

See accompanying notes to unaudited interim consolidated financial statements.

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ABITIBIBOWATER INC. **(Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3)** **Notes to Unaudited Interim Consolidated Financial Statements**

Note 1. Organization and Basis of Presentation

Nature of operations

AbitibiBowater Inc. (with its subsidiaries and affiliates, either individually or collectively, unless otherwise indicated, referred to as “AbitibiBowater,” “we,” “our,” “us” or the “Company”) is incorporated in Delaware and is a leading producer of newsprint and coated and specialty papers. In addition, we produce and sell market pulp and wood products. We operate pulp and paper manufacturing facilities in Canada, the United States and South Korea, as well as wood products manufacturing facilities and hydroelectric facilities in Canada.

Financial statements

The consolidated balance sheets as of June 30, 2010 and December 31, 2009, the related statements of operations for the three and six months ended June 30, 2010 and 2009, the related statement of changes in deficit for the six months ended June 30, 2010 and the related statements of comprehensive loss and cash flows for the six months ended June 30, 2010 and 2009 are unaudited and have been prepared in accordance with the requirements of the United States Securities and Exchange Commission (“SEC”) for interim reporting. Under those rules, certain footnotes and other financial information that are normally required by United States generally accepted accounting principles (“U.S. GAAP”) may be condensed or omitted. In our opinion, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the interim financial statements have been made. All amounts are expressed in U.S. dollars, unless otherwise indicated. The results for the interim period ended June 30, 2010 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009, filed on March 31, 2010, as amended. Certain prior year amounts in the unaudited interim consolidated financial statements and the related notes have been reclassified to conform to the 2010 presentation. The reclassifications had no effect on total deficit or net loss.

Creditor Protection Proceedings

On April 16, 2009 and December 21, 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions (collectively, the “Chapter 11 Cases”) in the United States Bankruptcy Court for the District of Delaware (the “U.S. Court”) for relief under the provisions of Chapter 11 of the United States Bankruptcy Code, as amended (“Chapter 11”). In addition, on April 17, 2009, certain of AbitibiBowater Inc.’s Canadian subsidiaries sought creditor protection (the “CCAA Proceedings”) under the Companies’ Creditors Arrangement Act (the “CCAA”) with the Superior Court of Quebec in Canada (the “Canadian Court”). On April 17, 2009, Abitibi-Consolidated Inc. (“Abitibi”), a subsidiary of AbitibiBowater Inc., and its wholly-owned subsidiary, Abitibi-Consolidated Company of Canada (“ACCC”), each filed a voluntary petition for provisional and final relief (the “Chapter 15 Cases”) in the U.S. Court under the provisions of Chapter 15 of the United States Bankruptcy Code, as amended, to obtain recognition and enforcement in the United States of certain relief granted in the CCAA Proceedings and also on that date, AbitibiBowater Inc. and certain of its subsidiaries in the Chapter 11 Cases obtained orders under Section 18.6 of the CCAA in respect thereof (the “18.6 Proceedings”). The Chapter 11 Cases, the Chapter 15 Cases, the CCAA Proceedings and the 18.6 Proceedings are collectively referred to as the “Creditor Protection Proceedings.” The entities subject to the Creditor Protection Proceedings are referred to herein as the “Debtors.” The U.S. Court and the Canadian Court are collectively referred to as the “Courts.” Our wholly-owned subsidiary that operates our Mokpo, South Korea operations and almost all of our less than wholly-owned subsidiaries continue to operate outside of the Creditor Protection Proceedings.

On August 2, 2010, the U.S. Court approved the solicitation materials in respect of our Debtors’ *Second Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code* (the “Chapter 11 Plan”). On July 9, 2010, the Canadian Court approved the mailing of solicitation materials related to the *CCAA Plan of Reorganization and Compromise* (the “CCAA Plan” and, together with the Chapter 11 Plan, the “Plans of Reorganization”). These approvals enable us to begin soliciting votes from creditors to accept or reject our Plans of Reorganization in accordance with the applicable Court orders. The Plans of Reorganization describe a proposed treatment of creditor claims and certain other matters. The Plans of Reorganization are subject to creditor approval and must also be approved by the applicable Court.

For additional information, see Note 2, “Creditor Protection Proceedings.”

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ABITIBIBOWATER INC. **(Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3)** **Notes to Unaudited Interim Consolidated Financial Statements**

Basis of presentation and going concern issues

Our unaudited interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, the Creditor Protection Proceedings, which are discussed further in Note 2, "Creditor Protection Proceedings," raise substantial doubt about our ability to continue as a going concern.

The Creditor Protection Proceedings and our debtor in possession financing arrangements, which are discussed in Note 12, "Liquidity and Debt," have provided us with a period of time to stabilize our operations and financial condition and develop our Plans of Reorganization. Management believes that these actions make the going concern basis of presentation appropriate. However, given the uncertainty involved in these proceedings, the realization of assets and discharge of liabilities are each subject to significant uncertainty. Further, our ability to continue as a going concern is dependent on market conditions and our ability to obtain the approval of the Plans of Reorganization from affected creditors and the Courts, successfully implement the Plans of Reorganization, improve profitability, obtain exit financing to replace our debtor in possession financing arrangements and renew or extend our current debtor in possession financing arrangements if the need to do so should arise. However, it is not possible to predict whether the actions taken in our restructuring will result in improvements to our financial condition sufficient to allow us to continue as a going concern. If the going concern basis is not appropriate, adjustments will be necessary to the carrying amounts and/or classification of our assets and liabilities.

Further, the implementation of the Plans of Reorganization could materially change the carrying amounts and classifications reported in our consolidated financial statements. The assets and liabilities in our unaudited interim consolidated financial statements do not reflect any adjustments related to the Plans of Reorganization, except for certain charges discussed in Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net." In addition, our unaudited interim consolidated financial statements do not purport to reflect or provide for all of the consequences of the Creditor Protection Proceedings, such as: (i) the realizable value of our assets on a liquidation basis or their availability to satisfy liabilities, (ii) the amounts of pre-petition liabilities that may be allowed for claims or contingencies or the status and priority thereof, (iii) the effect of any changes in our deficit that may be made in our recapitalization or (iv) the effect on our Consolidated Statements of Operations regarding any changes made to our business resulting from the Plans of Reorganization, except for certain charges discussed in Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net."

Effective upon the commencement of the Creditor Protection Proceedings, we applied the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, "Reorganizations" ("FASB ASC 852"), in preparing our consolidated financial statements and we continue to apply this guidance while we operate under the Creditor Protection Proceedings. The guidance in FASB ASC 852 does not change the manner in which financial statements are prepared. However, it requires that the financial statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, provisions for losses, gains on disposition of assets and other charges directly associated with or resulting from the reorganization and restructuring of the business that have been realized or incurred in the Creditor Protection Proceedings have been recorded in "Reorganization items, net" in our Consolidated Statements of Operations. For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net." Pre-petition obligations that may be impaired by the reorganization process have been classified in our Consolidated Balance Sheets as "Liabilities subject to compromise." For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Liabilities subject to compromise." Additionally, we have continued to record interest expense on certain of our pre-petition debt obligations. For additional information, see Note 12, "Liquidity and Debt."

Bridgewater Administration

On February 2, 2010, Bridgewater Paper Company Limited ("BPCL"), a subsidiary of AbitibiBowater Inc., filed for administration in the United Kingdom pursuant to the United Kingdom Insolvency Act 1986, as amended (the "BPCL Administration"). BPCL's board of directors appointed Ernst & Young LLP as joint administrators for the BPCL Administration, whose responsibilities are to manage the affairs, business and assets of BPCL. In May 2010, the joint administrators announced the sale of the paper mill and all related machinery and equipment. As a result of the filing for administration, we lost control over and the ability to influence BPCL's operations. As a result, effective as of the date of the BPCL Administration filing, we are no longer consolidating BPCL in our consolidated financial statements and are now

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

accounting for BPCL using the cost method of accounting. For additional information, see Note 3, “Creditor Protection Proceedings Related Disclosures – Reorganization items, net.”

BPCL was a party to a contract with NPower Cogen Limited (“NPower”) for the cogeneration building and equipment lease and for the purchase of steam and electricity to operate the paper mill. This contract also contained two embedded derivative features, which are no longer included in our consolidated financial statements as a result of the deconsolidation of BPCL. Abitibi had provided a guarantee in favor of NPower as it relates to BPCL’s obligations under this agreement, which it repudiated on July 7, 2009. NPower filed a related claim in the Creditor Protection Proceedings against Abitibi in November 2009. In the first quarter of 2010, we recorded a liability for NPower’s repudiated claim. For additional information, see Note 3, “Creditor Protection Proceedings Related Disclosures – Reorganization items, net.”

Recently adopted accounting guidance

On January 1, 2010, we prospectively adopted new accounting guidance which eliminates the concept of a qualified special-purpose entity (“QSPE”), changes the requirements for derecognizing financial assets and requires additional disclosures. The new guidance requires entities to provide additional information about transfers of financial assets, including securitization transactions, and where companies have continuing exposure to the risks related to transferred financial assets. The adoption of this accounting guidance did not have a material impact on our results of operations or financial position as it applies to the QSPEs that were established for note monetization purposes. However, as a result of the adoption of this new accounting guidance, the transfers of accounts receivable interests under our accounts receivable securitization program no longer qualify as sales. Such transfers and the proceeds received thereon are now accounted for as secured borrowings. For additional information, see Note 12, “Liquidity and Debt.”

On January 1, 2010, we adopted new accounting guidance which changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. QSPEs will no longer be excepted from current accounting guidance. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design and a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance. We are not the primary beneficiary of any of the QSPEs that were established for note monetization purposes and therefore, such QSPEs will remain unconsolidated entities. The adoption of this accounting guidance did not have an impact on our results of operations or financial position.

Note 2. Creditor Protection Proceedings

Overview

As discussed in Note 1, “Organization and Basis of Presentation – Creditor Protection Proceedings,” AbitibiBowater Inc. and certain of its subsidiaries commenced Creditor Protection Proceedings on April 16 and 17, 2009 and December 21, 2009 in order to enable us to pursue reorganization efforts under the protection of Chapter 11 and the CCAA, as applicable. We remain in possession of our assets and properties and are continuing to operate our business and manage our properties as “debtors in possession” under the jurisdiction of the Courts and in accordance with the applicable provisions of Chapter 11 and the CCAA. In general, the Debtors are authorized to continue to operate as ongoing businesses, but may not engage in transactions outside the ordinary course of business without the approval of the applicable Court(s) or the Monitor (as defined below), as applicable.

The commencement of the Creditor Protection Proceedings constituted an event of default under substantially all of our pre-petition debt obligations, and those debt obligations became automatically and immediately due and payable by their terms, although any action to enforce such payment obligations is stayed as a result of the commencement of the Creditor Protection Proceedings. Due to the commencement of the Creditor Protection Proceedings, unsecured pre-petition debt obligations of \$4,851 million are included in “Liabilities subject to compromise” in our Consolidated Balance Sheets as of June 30, 2010. Secured pre-petition debt obligations of \$980 million and \$34 million are included in current liabilities and “Long-term debt, net of current portion,” respectively, in our Consolidated Balance Sheets as of June 30, 2010. See Note 3, “Creditor Protection Proceedings Related Disclosures – Liabilities subject to compromise.”

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ABITIBIBOWATER INC. **(Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3)** **Notes to Unaudited Interim Consolidated Financial Statements**

Debtor in possession financing arrangements

In the Creditor Protection Proceedings, we sought and obtained: (i) final approval by the Courts to enter into a debtor in possession financing facility for the benefit of AbitibiBowater Inc., Bowater Incorporated (“Bowater”), a wholly-owned subsidiary of AbitibiBowater Inc., and certain of Bowater’s subsidiaries, (ii) final approval by the Canadian Court to enter into a debtor in possession financing facility for the benefit of Abitibi with a wholly-owned subsidiary of ACCC and (iii) final approval by the Courts to amend and restate, in its entirety, the accounts receivable securitization program, as further amended on June 11, 2010, of Abitibi and Donohue Corp. (“Donohue”), an indirect, wholly-owned subsidiary of AbitibiBowater Inc. Each of these financing arrangements is discussed in further detail in Note 12, “Liquidity and Debt.”

Reorganization process

General

The Courts have issued a variety of orders on either a final or interim basis intended to support our business continuity throughout the restructuring process. These orders include, among other things, authorization to:

- make payments relating to certain employees’ pre-petition wages, salaries and benefit programs in the ordinary course;
- ensure the continuation of existing cash management systems;
- honor certain ongoing customer obligations;
- repudiate or reject certain customer, supplier and other contracts;
- enter into our debtor in possession financing arrangements and the Abitibi and Donohue second amended and restated accounts receivable securitization program, as further amended, which are discussed in Note 12, “Liquidity and Debt”;
- conduct certain asset sales;
- settle certain intercompany obligations;
- restructure our European sales structure; and
- transfer certain properties from one subsidiary of AbitibiBowater to another subsidiary of AbitibiBowater, as well as the placement of the latter subsidiary into receivership.

We also obtained an order from the Canadian Court on May 8, 2009 specifying that the payment of special contributions for past service to Canadian pension plans maintained by Abitibi and Bowater could be suspended. Abitibi and Bowater continue to make their respective Canadian pension plan contributions for current service costs. Special contributions to our Canadian pension plans for past service that were suspended amounted to approximately \$102 million for Abitibi and approximately \$57 million for Bowater on an annual basis. We have continued to meet our obligations to our U.S. pension plans in the ordinary course.

We have retained legal and financial professionals to advise us on the Creditor Protection Proceedings and may, from time to time, retain additional professionals, subject to any applicable Court approval.

On April 28, 2009, the United States Trustee for the District of Delaware appointed an official committee of unsecured creditors (the “Creditors’ Committee”) in the Chapter 11 Cases pursuant to the requirements of Chapter 11. The Creditors’ Committee and its legal representatives have a right to be heard on all matters that come before the U.S. Court with respect to us.

Under the terms of a Canadian Court order, Ernst & Young Inc. serves as the court-appointed monitor under the CCAA Proceedings (the “Monitor”) and assisted us in formulating our CCAA restructuring plan.

Stay of proceedings

Subject to certain exceptions under Chapter 11 and the CCAA, our filings (and in Canada, the Initial Order, as defined below) automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions

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ABITIBIBOWATER INC.

(Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3)

Notes to Unaudited Interim Consolidated Financial Statements

against us and our property to recover, collect or secure a claim arising prior to the filing of the Creditor Protection Proceedings. Thus, for example, most creditor actions to obtain possession of property from us, or to create, perfect or enforce any lien against our property, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim, are enjoined unless and until the Courts lift such stay.

We began notifying all known current or potential creditors regarding these filings shortly after the commencement of the Creditor Protection Proceedings. We have successfully applied on several occasions to the Courts in order to enforce the stay of proceedings against creditors acting in breach of the stay.

Rejection and repudiation of contractual obligations

Under Section 365 and other relevant sections of Chapter 11, we may assume, assign or reject certain executory contracts and unexpired leases, including leases of real property and equipment, subject to the approval of the U.S. Court and certain other conditions. Similarly, pursuant to the initial order issued by the Canadian Court on April 17, 2009 (the “Initial Order”), we have the right to, among other things, repudiate or reject agreements, contracts or arrangements of any nature whatsoever, whether oral or written, subject to the approval of the Monitor or further order of the Canadian Court. Any description of an agreement, contract, unexpired lease or arrangement in these notes to our unaudited interim consolidated financial statements must be read in light of these overriding rights pursuant to Section 365 of Chapter 11 and the relevant provisions of the CCAA, as applicable.

Since initiating the Creditor Protection Proceedings, we have engaged and will continue to engage in a review of our various agreements in light of the overriding rights described above. We have rejected and repudiated a number of leases, including leases of real estate and equipment, and have assumed or assigned certain others. Some of the more significant agreements we repudiated or rejected, as the case may be, include the following:

- We repudiated certain supply contracts between Abitibi and SFK Pate S.E.N.C. and on May 21, 2009, the Canadian Court rejected a motion by SFK Pate S.E.N.C. to overturn that repudiation.
- On June 15, 2009, we filed a motion with the U.S. Court to reject an amended and restated call agreement (the “Call Agreement”) in respect of Augusta Newsprint Inc. (“ANI”), an indirect subsidiary of The Woodbridge Company Limited (“Woodbridge”) and our partner in Augusta Newsprint Company (“ANC”). ANC is the partnership that owns and operates the Augusta, Georgia newsprint mill. The Call Agreement obligated Abitibi Consolidated Sales Corporation (“ACSC”), an indirect, wholly-owned subsidiary of AbitibiBowater Inc., to either buy out ANI at a price well above market, or risk losing all of its equity in the joint venture pursuant to forced sale provisions. The U.S. Court granted our motion on October 27, 2009 and approved our rejection of the Call Agreement. Our counterparties to the Call Agreement filed a Notice of Appeal with the U.S. Court on November 3, 2009. Also, on March 9, 2010, Woodbridge filed a motion in the U.S. Court to force ACSC to reject the partnership agreement governing ANC. We filed an objection to such motion on April 9, 2010. The matter was heard on May 26, 2010 but the hearing was not dispositive. The motion thus remains before the U.S. Court.
- On July 7, 2009, we repudiated a parental guarantee issued by Abitibi in favor of NPower relating to BPCL’s obligations under an energy supply contract for the Bridgewater newsprint mill. For additional information, see Note 1, “Organization and Basis of Presentation – Bridgewater Administration.”
- Effective July 13, 2009, Bowater Canadian Forest Products Inc. (“BCFPI,” an indirect subsidiary of Bowater), Abitibi and ACCC repudiated contracts with Borealex Dolbeau Inc. and on July 28, 2009, we obtained a motion *De Bene Esse* to confirm our repudiation of those contracts in light of injunctions issued by the Canadian Court and the Court of Appeal of Quebec on January 22, 2008 and October 8, 2008, respectively, initially preventing such actions. Following the repudiation of these contracts, our Dolbeau, Quebec facility has been effectively idled.
- On September 14, 2009, we repudiated certain of Abitibi’s shipping contracts with Spliethoff Transport B.V. based on expected savings and more favorable contractual terms with a new shipper. The Canadian Court rejected Spliethoff Transport B.V.’s motion to overturn the repudiation on November 24, 2009.
- We rejected a number of pre-petition engagement letters with financial advisors retained to provide advisory services on an exclusive basis in connection with pre-petition restructuring activities and certain transactions that ultimately were not consummated.

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ABITIBIOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

The creditors affected by these repudiations and rejections have filed proofs of claims in the Creditor Protection Proceedings. For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net and – Liabilities subject to compromise."

Procedures for the filing, review and determination of creditors' claims in the U.S. and in Canada

On August 26, 2009 and September 3, 2009, the Canadian Court and the U.S. Court, respectively, granted our motions to establish November 13, 2009 (the "General Claims Bar Date") as the bar date for the filing of claims, generally representing the majority of our creditors. We notified the majority of our creditors and potential creditors of the General Claims Bar Date and the requirement to file a proof of claim with the Courts before that deadline in order for a claimant to receive any distribution in the Creditor Protection Proceedings. Individuals who were employed by us as of April 16, 2009 (the date on which we filed for creditor protection in the U.S.) or thereafter ("Post-filing Employees") were excluded from the General Claims Bar Date in the U.S. and Canada, as were certain other "Excluded Claims" in Canada.

On January 18, 2010, the Canadian Court issued an order setting out the process for the review, determination and adjudication of contested claims with a view to determining their amounts for an eventual vote by the holders of such claims on a plan of arrangement to be presented by us. No such order has been issued in the U.S., where the applicable procedure for the investigation of discrepancies between liability amounts estimated by us and claims filed by our creditors and for the valuation of liabilities is generally governed by the rules under Chapter 11.

On February 18, 2010, the U.S. Court granted our motion to establish April 7, 2010 (the "Second Claims Bar Date") as the date by which Post-filing Employees were required to file employee proofs of claim against us on account of: (i) any claim against us owing as of April 16, 2009 and (ii) any claim or expense asserted against us for the period from April 16, 2009 through and including February 28, 2010 (but excluding amounts owed for ordinary course payroll obligations that were scheduled to be paid on the next pay date occurring after February 28, 2010, or for the reimbursement of expenses scheduled to be paid in the ordinary course).

On February 23, 2010, the Canadian Court granted our motion to establish an identical Second Claims Bar Date of April 7, 2010 for Post-filing Employees and most previously Excluded Claims, including a category of claims that includes claims arising out of contract repudiation after August 31, 2009 ("Restructuring Claims"). A "rolling bar date," being the later of the Second Claims Bar Date or 30 days after the issuance of a notice giving rise to any Restructuring Claim, was established for those Restructuring Claims that arise between the Second Claims Bar Date of April 7, 2010 and emergence from the CCAA Proceedings.

There have been approximately 7,300 and 8,200 claims filed against the Chapter 11 filers and the CCAA filers, respectively, that total, together with the Chapter 11 filers' scheduled liabilities, approximately \$76 billion (which for purposes of this disclosure, for the claims filed against the CCAA filers in Canadian dollars, reflects the exchange rate to U.S. dollars on the date of the commencement of the CCAA Proceedings, which may not be the rate applicable to every claim). We are currently in the process of reconciling such claims to the amounts we have recorded in "Liabilities subject to compromise" as of June 30, 2010 in our Consolidated Balance Sheets. Differences in amounts recorded and claims filed by creditors are being investigated and will be resolved, including through the filing of objections with the Courts, where appropriate. We have identified, and expect to continue to identify, many claims that we believe should be disallowed by the Courts because they are duplicative, have been later amended or superseded, are without merit, are overstated or for other reasons. In addition, as a result of this process, we may identify additional liabilities that will need to be recorded or reclassified to liabilities subject to compromise. Also, we have identified, and may continue to identify, recorded liabilities for which no claim has been filed, which would result in a reorganization gain upon the elimination of the recorded liabilities. Although we are continuing to make progress, in light of the substantial number and amount of claims filed, the claims resolution process may take considerable time to complete. Completion of the claims resolution process is not a condition to our emergence from the Creditor Protection Proceedings.

In both the U.S. and Canada, the determination of how claims will ultimately be treated, as well as how each class of affected claims will be settled, including payment terms, if applicable, cannot be made until the Courts approve, if at all, the Plans of Reorganization. Accordingly, the ultimate number and amount of allowed claims, as well as the ultimate treatment and recovery of allowed claims, is not determinable at this time. Given the magnitude of the claims asserted, it is possible that allowed claims may be materially in excess of the amounts recorded as liabilities subject to compromise as of June 30, 2010 and adjustments to these liabilities may be recorded as "Reorganization items, net" in our Consolidated Statements of

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

Operations in future periods. Classification for purposes of our consolidated financial statements of any pre-petition liabilities on any basis other than liabilities subject to compromise is not an admission against interest or legal conclusion by the Debtors as to the manner of classification, treatment, allowance or payment in the Creditor Protection Proceedings, including in connection with the Plans of Reorganization that may be approved by the Courts and that may become effective pursuant to the Courts' orders.

For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net and – Liabilities subject to compromise."

Plan or plans of reorganization

In order to successfully exit from Chapter 11 and the CCAA, we will be required to obtain approval from affected creditors and the Courts of the Plans of Reorganization upon having shown that they satisfy the requirements of Chapter 11 and the CCAA. Once approved, the Plans of Reorganization will resolve our pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance following our exit from Chapter 11 and the CCAA.

In the United States, Chapter 11 provides that we have the exclusive right for up to 18 months after the filing of the Creditor Protection Proceedings to file a plan or plans of reorganization with the U.S. Court. In successive orders, the U.S. Court further extended our exclusive right to file a plan or plans of reorganization and solicit votes thereon, and the current deadlines are September 14, 2010 and November 13, 2010, respectively. However, a motion is pending before the U.S. Court to further extend these deadlines for the maximum periods, which would extend our exclusive right to file a plan or plans of reorganization and solicit votes thereon until October 16, 2010 and December 16, 2010, respectively. We began soliciting votes from creditors for the approval or rejection of our Plans of Reorganization on August 9, 2010. If our exclusivity period were to lapse, any party in interest would be able to file a plan or plans of reorganization. In addition to being voted on and approved by holders of impaired claims and equity interests, the Chapter 11 Plan must satisfy certain requirements of Chapter 11 and must be confirmed by the U.S. Court in order to become effective.

Similarly, in Canada, the Initial Order provides for a general stay of proceedings for an initial period of 30 days. The Canadian Court has extended the stay of proceedings on a number of occasions, most recently through September 8, 2010. We will likely file additional motions to request further extensions of this stay of proceedings, which we believe are routinely granted for up to 18 months in cases of this size and complexity. The Initial Order provides that a plan or plans of reorganization under the CCAA must be filed with the Canadian Court before the termination of the stay of proceedings or such other time or times as may be allowed by the Canadian Court. Third parties could thereafter seek permission to file a plan or plans of reorganization. On July 9, 2010, we received the Canadian Court's approval to mail solicitation materials for our CCAA Plan. In addition to being voted on by the required majority of affected creditors, the CCAA Plan must satisfy certain requirements of the CCAA and must be approved by the Canadian Court in order to become effective.

The Plans of Reorganization describe a proposed treatment of creditor claims and certain other matters. The Plans of Reorganization are subject to creditor approval and must also be approved by the applicable Court. There can be no assurance that the Plans of Reorganization will be supported and approved by affected creditors and approved by the Courts or that any such plan will be implemented successfully. There are a number of significant conditions to the implementation of the Plans of Reorganization, including the adopting of funding relief regulations in form and substance satisfactory to the CCAA filers in Quebec and Ontario in respect of the material solvency deficits in pension plans sponsored by Abitibi and Bowater.

The Plans of Reorganization include, among other things, the following key elements:

- each of the Debtors' operations will continue in substantially their current form;
- all amounts outstanding under the Bowater DIP Agreement (as defined below) will be paid in full in cash and the facility will be terminated;
- all outstanding receivable interests sold under the Abitibi and Donohue accounts receivable securitization program will be repurchased in cash for a price equal to the par amount thereof and the program will be terminated;
- the Bowater pre-petition secured bank credit facilities (which consist of separate credit agreements entered into by Bowater and BCFPI) will be paid in full in cash, including principal and accrued interest;

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

- the Abitibi pre-petition senior secured term loan will be paid in full in cash, including principal and accrued interest;
- the outstanding ACCC pre-petition 13.75% senior secured notes due 2011 will be paid in full in cash, including principal and accrued interest;
- holders of allowed claims arising from the Debtors' pre-petition unsecured indebtedness will receive their pro rata share of the new common stock to be issued by the reorganized Company upon emergence from the Creditor Protection Proceedings and will be entitled, to the extent eligible, to participate in the Rights Offering (as defined below);
- the Debtors' obligations to fund the prior service costs related to their pension and other postretirement benefit plans will be reinstated, subject to the resolution of funding relief, as further discussed in Note 15, "Commitments and Contingencies – Employees";
- holders of pre-petition unsecured indebtedness with individual claim amounts less than \$5,000 may be paid in cash in an amount equal to 50% of their claim amount, but under certain circumstances, these claim holders may be treated instead like all other holders of claims arising from pre-petition unsecured indebtedness;
- all equity interests in the Company existing immediately prior to the emergence date will be discharged, canceled, released and extinguished;
- the Debtors will conduct a rights offering (the "Rights Offering") for the issuance of convertible senior subordinated notes (the "Convertible Notes"). Under the Rights Offering, each eligible unsecured creditor will receive a non-transferable right entitling such creditor to purchase its proportionate share of up to \$500 million of Convertible Notes to be issued by the reorganized Company on the emergence date. Under certain circumstances, the amount of Convertible Notes may thereafter be increased by up to an additional \$110 million. The Convertible Notes are expected to bear interest at the rate of 10% per annum (11% per annum if we elect to pay a portion of the interest through the issuance of additional Convertible Notes). We have entered into a backstop commitment agreement that provides for the purchase by certain investors of Convertible Notes to the extent that the Rights Offering is under-subscribed, which has been approved by the Courts;
- subject to Court approval and applicable commitment and engagement letters, the reorganized Company will enter into a senior secured asset-based revolving credit facility; and
- subject to Court approval and applicable commitment and engagement letters, the reorganized Company will enter into a senior secured term loan facility, which may be in the form of a loan, high-yield notes, bridge facility or other loan arrangement.

Under the priority scheme established by Chapter 11 and the CCAA, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must be satisfied in full before shareholders are entitled to receive any distribution or retain any property under any plan of reorganization. The final recovery to creditors and/or shareholders, if any, will not be determined until the Plans of Reorganization, as amended and/or supplemented, have been approved by the applicable Court. The recovery will depend on, among other things, the nature of the claim and the debtor against whom the claim is properly made, as further described in the Plans of Reorganization and the related disclosure documents. Accordingly, the value of our obligations, including our debt securities, is highly speculative. The Plans of Reorganization provide that all of our currently outstanding common stock and exchangeable shares will be canceled for no consideration. Appropriate caution should be exercised with respect to existing and future investments in any of our liabilities and/or securities.

Listing and trading of our common stock and the exchangeable shares of AbitibiBowater Canada Inc.

Due to the commencement of the Creditor Protection Proceedings, each of the New York Stock Exchange and the Toronto Stock Exchange suspended the trading of our common stock at the opening of business on April 16, 2009 and delisted our common stock at the opening of business on May 21, 2009 and the close of market on May 15, 2009, respectively. Our common stock is currently traded in the over-the-counter market and is quoted on the Pink Sheets Quotation Service and on the OTC Bulletin Board under the symbol "ABWTQ." In addition, the Toronto Stock Exchange suspended the trading of the exchangeable shares of AbitibiBowater Canada Inc. at the opening of business on April 16, 2009 and delisted such shares at the close of market on May 15, 2009.

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ABITIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

Note 3. Creditor Protection Proceedings Related Disclosures

Reorganization items, net

FASB ASC 852 requires separate disclosure of reorganization items such as certain expenses, provisions for losses and other charges directly associated with or resulting from the reorganization and restructuring of the business that have been realized or incurred in the Creditor Protection Proceedings. As a result, all charges related to the commencement of an indefinite idling or permanent closure of a mill or a paper machine subsequent to the commencement of the Creditor Protection Proceedings are recorded in "Reorganization items, net"; whereas all charges related to the commencement of an indefinite idling or permanent closure of a mill or a paper machine prior to the commencement of the Creditor Protection Proceedings are recorded in "Closure costs, impairment and other related charges" in the consolidated statements of operations. Also, professional fees, provision for repudiated or rejected executory contracts, gains on disposition of assets, gains resulting from the loss of control of subsidiaries and the subsequent deconsolidation, debtor in possession financing costs and other expenses directly related to or resulting from our reorganization process under the Creditor Protection Proceedings have been recorded in "Reorganization items, net" in our Consolidated Statements of Operations. The recognition of Reorganization items, net, unless specifically prescribed otherwise by FASB ASC 852, is in accordance with other applicable U.S. GAAP, including accounting for impairments of long-lived assets, accelerated depreciation, severance and termination benefits and costs associated with exit and disposal activities (including costs incurred in a restructuring).

Reorganization items, net for the three and six months ended June 30, 2010 and 2009 were comprised of the following:

(Unaudited, in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Professional fees ⁽¹⁾	\$ 27	\$ 45	\$ 53	\$ 55
Provision for repudiated or rejected executory contracts ⁽²⁾	8	15	149	15
Charges related to indefinite idlings and a closed mill ⁽³⁾	210	—	264	—
Gains on disposition of assets ⁽⁴⁾	(58)	—	(60)	—
Gain on deconsolidation of BPCL ⁽⁵⁾	—	—	(27)	—
Gain on deconsolidation of a variable interest entity ("VIE") ⁽⁶⁾	(16)	—	(16)	—
Debtor in possession financing costs ⁽⁷⁾	5	29	5	29
Other ⁽⁸⁾	(28)	—	(15)	—
	\$ 148	\$ 89	\$ 353	\$ 99

(1)

Professional fees directly related to the Creditor Protection Proceedings, ongoing monitoring and establishment of the Plans of Reorganization, including legal, accounting and other professional fees, as well as professional fees incurred by our creditors.

(2)

Provision for repudiated or rejected executory contracts represents provision for estimated claims arising from repudiated or rejected executory contracts, primarily the parental guarantee of BPCL's NPower contract, supply contracts and equipment leases. The provision for the three and six months ended June 30, 2010 is net of approximately \$14 million of gains arising from liabilities adjusted in the claims reconciliation process. See Note 1, "Organization and Basis of Presentation – Bridgewater Administration," and Note 2, "Creditor Protection Proceedings – Reorganization process," for additional information.

(3)

Represents charges primarily related to the indefinite idling of our Gatineau, Quebec paper mill in the second quarter of 2010 and a de-inking line and paper machine at our Thorold, Ontario paper mill in the first quarter of 2010, as well as an impairment charge in the second quarter of 2010 related to our Lufkin, Texas paper mill to reduce the carrying value of the assets to their current estimated fair value. These actions were initiated subsequent to the commencement of the Creditor Protection Proceedings as part of our work towards a comprehensive restructuring plan. Accordingly, these charges are included in Reorganization items, net. Such charges for the three months ended June 30, 2010 included: (i) accelerated depreciation charges of \$163 million; (ii) a long-lived asset impairment charge of \$10 million; (iii) severance and pension curtailment charges of \$23 million and (iv) charges for the write-downs of inventory of \$14 million. Such charges for the six months ended June 30, 2010 included: (i) accelerated depreciation charges of \$210 million; (ii) a long-lived asset impairment charge of \$10 million; (iii) severance and pension curtailment charges of \$29 million and (iv) charges for the write-downs of inventory of \$15 million. The fair value of the Lufkin impaired assets was determined based on the mill's estimated sale value.

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ABITIBI BOWATER INC. **(Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3)** **Notes to Unaudited Interim Consolidated Financial Statements**

- (4) Represents the gains on disposition of various mills and other assets as part of our work towards a comprehensive restructuring plan, including the write-off of related asset retirement obligations. Such gains for the three months ended June 30, 2010 included our Mackenzie, British Columbia paper mill and sawmills, four previously permanently closed paper mills that were bundled and sold together and various other assets, all of which we sold for proceeds of approximately \$34 million. Such gains for the six months ended June 30, 2010 also included our Westover, Alabama sawmill and our recycling division's material recycling facilities located in Arlington, Houston and San Antonio, Texas, which we sold for proceeds of approximately \$15 million.
- (5) As discussed in Note 1, "Organization and Basis of Presentation – Bridgewater Administration," we are no longer consolidating BPCL in our consolidated financial statements. At the time of the BPCL Administration filing, we had a negative basis in our investment in BPCL. Upon the deconsolidation of BPCL, we derecognized our negative investment, which resulted in a gain of \$27 million.
- (6) During the second quarter of 2010, a subsidiary that was a VIE that we had been consolidating was placed into receivership. As a result, we lost control over and the ability to influence this VIE's operations and are no longer the primary beneficiary of this VIE. Therefore, we are no longer consolidating this VIE in our consolidated financial statements. At such time, we had a negative basis in our investment in this VIE. Upon the deconsolidation of this VIE, we derecognized our negative investment, which resulted in a gain of \$16 million.
- (7) Debtor in possession financing costs were incurred during the second quarter of 2010 in connection with: (i) the May 5, 2010 extension of the Bowater DIP Agreement to July 21, 2010 and (ii) the June 11, 2010 amendment to the Abitibi and Donohue second amended and restated accounts receivable securitization program. Debtor in possession financing costs were incurred during the second quarter of 2009 in connection with entering into: (i) the Bowater DIP Agreement, (ii) the debtor in possession financial facility for the benefit of Abitibi and Donohue, which was terminated on December 9, 2009, and (iii) the Abitibi and Donohue second amended and restated accounts receivable securitization program. For additional information, see Note 12, "Liquidity and Debt."
- (8) For the three and six months ended June 30, 2010, "Other" primarily represents the write-off of approximately \$23 million of environmental liabilities related to our Newfoundland and Labrador properties that were expropriated and for which no claim was filed. For the six months ended June 30, 2010, "Other" also includes environmental charges related to our estimated liability for an environmental claim filed against us by the current owner of a site previously owned by Abitibi, as well as employee termination charges resulting from our work towards a comprehensive restructuring plan related to a workforce reduction at our Catawba, South Carolina paper mill. "Other" for all periods also includes interest income, which was \$1 million for the six months ended June 30, 2010 and less than \$1 million for all other periods presented.

In the three and six months ended June 30, 2010, we paid \$28 million and \$47 million, respectively, relating to reorganization items, which were comprised of: (i) professional fees of \$23 million and \$42 million, respectively, and (ii) debtor in possession financing costs of \$5 million for both periods. In the three and six months ended June 30, 2009, we paid \$42 million and \$51 million, respectively, relating to reorganization items, which were comprised of: (i) professional fees of \$15 million and \$24 million, respectively, and (ii) debtor in possession financing costs of \$27 million for both periods. Payments relating to professional fees and debtor in possession financing costs were included in cash flows from operating activities and cash flows from financing activities, respectively, in our Consolidated Statements of Cash Flows.

Liabilities subject to compromise

Liabilities subject to compromise primarily represent unsecured pre-petition obligations of the Debtors that are subject to impairment as part of the Plans of Reorganization and as a result, are subject to settlement at lesser amounts. Generally, actions to enforce or otherwise effect payment of such liabilities have been stayed by the Courts. Such liabilities are classified separately from other liabilities in our Consolidated Balance Sheets as "Liabilities subject to compromise" and are accounted for in accordance with our normal accounting policies except that: (i) other than our debt obligations, these liabilities are recorded at the amounts expected to be allowed as claims by the Courts, whether known or potential claims, under the Plans of Reorganization, even if the claims may be settled for lesser amounts and (ii) debt obligations are recorded net of unamortized debt discounts and premiums, which we are no longer amortizing as a result of the Creditor Protection Proceedings. Such amounts are viewed as valuations of the related debt until the debt obligations are allowed as claims by the Courts, at which time the recorded amounts will be adjusted to the amounts of the allowed claims. For additional information, see Note 12, "Liquidity and Debt."

Liabilities subject to compromise remain subject to future potentially material adjustments arising from negotiated settlements, actions of the Courts, further developments with respect to disputed claims, repudiation or rejection of

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ABITIBIBOWATER INC. **(Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3)** **Notes to Unaudited Interim Consolidated Financial Statements**

executory contracts and unexpired leases and the determination of the secured status of certain claims, as well as the value of collateral securing the claims, proofs of claims or other events. The Debtors have repudiated or rejected certain pre-petition executory contracts and unexpired leases with respect to the Debtors' operations with the approval of the Courts and may repudiate or reject additional ones in the future. Damages resulting from repudiations or rejections of executory contracts and unexpired leases are typically treated as general unsecured claims and are also classified as liabilities subject to compromise.

The classification of liabilities as "not subject to compromise" versus "subject to compromise" is based on currently available information and analysis. As the Creditor Protection Proceedings continue and additional information and analysis is completed or as the Courts rule on relevant matters, the classification of amounts between these two categories may change. The amount of any such changes could be significant. We classify liabilities subject to compromise as a long-term liability because management does not believe we will use existing current assets or create additional current liabilities to fund these obligations.

Liabilities subject to compromise of the Debtors as of June 30, 2010 and December 31, 2009 were comprised of the following:

<i>(Unaudited, in millions)</i>	June 30, 2010	December 31, 2009
Unsecured pre-petition debt (Note 12)	\$ 4,851	\$ 4,852
Accrued interest on unsecured pre-petition debt (Note 12)	567	385
Accounts payable and accrued liabilities, excluding accrued interest on unsecured pre-petition debt	461	463
Pension and other postretirement projected benefit obligations	786	791
Repudiated or rejected executory contracts	373	228
Other liabilities	27	8
	\$ 7,065	\$ 6,727

We have not included the Debtors' secured pre-petition debt obligations in liabilities subject to compromise since we believe that the value of the underlying collateral of these obligations significantly exceeds the amount of the expected claims by the secured creditors. As discussed in Note 2, "Creditor Protection Proceedings – Reorganization process," the Courts have granted approval for the Debtors to, among other things, make payments relating to certain employee's pre-petition wages, salaries and benefit programs in the ordinary course, ensure the continuation of existing cash management systems, honor certain ongoing customer obligations, enter into our debtor in possession financing arrangements, settle certain intercompany obligations, retain legal and financial professionals and other business-related payments necessary to maintain the operation of our business. Liabilities subject to compromise do not include: (i) liabilities held by Non-Debtors (as defined below); (ii) liabilities incurred after the commencement of the Creditor Protection Proceedings, except for accrued interest on unsecured pre-petition debt obligations of the Debtors under the CCAA Proceedings and (iii) pre-petition liabilities that the Debtors expect to be required to pay in full by applicable law, even though certain of these amounts may not be paid until the Plans of Reorganization are approved.

Condensed combined financial statements of Debtors

The following unaudited condensed combined financial statements represent the financial statements of the Debtors. Our subsidiaries that are not subject to the Creditor Protection Proceedings ("Non-Debtors") are not consolidated in these condensed combined financial statements and, as such, their net loss is included in "Equity in net loss of Non-Debtors, net of tax" in the condensed combined statements of operations and their net assets are included as "Investments in and advances to Non-Debtors" in the condensed combined balance sheets. The Debtors' condensed combined financial statements have been prepared in accordance with the guidance of FASB ASC 852.

Intercompany transactions between the Debtors have been eliminated whereas intercompany transactions between the Debtors and Non-Debtors have not been eliminated in these condensed combined financial statements.

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ABITIBIBOWATER INC.
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ABITIBIBOWATER INC.
CONDENSED COMBINED STATEMENTS OF OPERATIONS – DEBTORS
(Unaudited, in millions)

	Six Months Ended June 30,	
	2010	2009
Sales	\$ 1,878	\$ 1,651
Costs and expenses	2,033	1,760
Operating loss	(155)	(109)
Interest expense (contractual interest of \$348 and \$377 in 2010 and 2009, respectively)	(297)	(326)
Other income (expense), net	58	(47)
Reorganization items, net	(353)	(99)
Income tax benefit (provision)	7	(10)
Equity in net loss of Non-Debtors, net of tax	(57)	(137)
Net loss attributable to AbitibiBowater Inc.	\$ (797)	\$ (728)

ABITIBIBOWATER INC.
CONDENSED COMBINED BALANCE SHEETS – DEBTORS
(Unaudited, in millions)

	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Accounts receivable from Non-Debtors	\$ 53	\$ 63
All other current assets	1,691	1,806
Total current assets	1,744	1,869
Fixed assets, net	2,947	3,341
Amortizable intangible assets, net	265	271
Investments in and advances to Non-Debtors	658	648
All other assets	556	486
Total assets	\$ 6,170	\$ 6,615
Liabilities and deficit		
Liabilities not subject to compromise:		
Current liabilities:		
Debtor in possession financing	\$ 206	\$ 206
All other current liabilities	1,545	1,496
Total current liabilities	1,751	1,702
Long-term liabilities	255	277
Total liabilities not subject to compromise	2,006	1,979
Liabilities subject to compromise	7,065	6,727
Total liabilities	9,071	8,706
Shareholders' deficit	(2,901)	(2,091)
Total liabilities and deficit	\$ 6,170	\$ 6,615

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

ABITIBIBOWATER INC. CONDENSED COMBINED STATEMENTS OF CASH FLOWS – DEBTORS (Unaudited, in millions)

	Six Months Ended June 30,	
	2010	2009
Net cash (used in) provided by operating activities	\$ (44)	\$ 21
Net cash (used in) provided by investing activities (includes \$17 and \$(2) of advances from (to) Non-Debtors, net in 2010 and 2009, respectively)	(3)	79
Cash flows from financing activities:		
Debtor in possession financing	—	236
Debtor in possession financing costs	(5)	(27)
Other, net	—	(43)
Net cash (used in) provided by financing activities	(5)	166
Net (decrease) increase in cash and cash equivalents	(52)	266
Cash and cash equivalents:		
Beginning of period	675	148
End of period	\$ 623	\$ 414

Note 4. Closure Costs, Impairment and Other Related Charges

Closure costs, impairment and other related charges, which were not associated with our work towards a comprehensive restructuring plan, for the three and six months ended June 30, 2010 and 2009 were comprised of the following:

(Unaudited, in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Impairment of long-lived assets	\$ —	\$ 85	\$ 2	\$ 85
Impairment of assets held for sale	—	148	—	178
Severance and other costs	3	7	6	7
	\$ 3	\$ 240	\$ 8	\$ 270

Impairment of long-lived assets

During the six months ended June 30, 2010, we recorded long-lived asset impairment charges of \$2 million related to our previously permanently closed Covington, Tennessee facility to further reduce the carrying value of the assets to their current estimated fair value of \$3 million, which was determined based on the mill's estimated sales value.

During the second quarter of 2009, upon review of the recoverability of certain of our indefinitely idled newsprint mill assets following a steep decline in market demand in early 2009, we recorded a long-lived asset impairment charge of \$85 million. The fair value of these assets of approximately \$6 million was determined based on their estimated sale or salvage values.

Impairment of assets held for sale

During the three and six months ended June 30, 2009, we recorded long-lived asset impairment charges of \$148 million and \$178 million, respectively, related to the assets held for sale for our interest in Manicouagan Power Company ("MPCo") to reduce the carrying value of our investment to fair value less costs to sell. The fair value of these assets was determined based on the net realizable value of the long-lived assets consistent with the terms of a non-binding agreement in principle for the sale in effect at the end of each respective quarter. The sale of MPCo was completed in the fourth quarter of 2009. For additional information, see Note 7, "Closure Costs, Impairment of Assets Other than Goodwill and Other Related Charges – Impairment of assets held for sale," and Note 8, "Assets Held for Sale, Liabilities Associated with Assets Held

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ABITIBOWATER INC. **(Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3)** **Notes to Unaudited Interim Consolidated Financial Statements**

for Sale and Net Gain on Disposition of Assets,” included in our consolidated financial statements for the year ended December 31, 2009.

Severance and other costs

During the three months ended June 30, 2010, we recorded \$3 million in severance and other costs, primarily for miscellaneous adjustments to severance liabilities and asset retirement obligations. During the six months ended June 30, 2010, we also recorded \$3 million of other costs, primarily related to a lawsuit related to a closed mill.

During the three and six months ended June 30, 2009, we recorded severance and other costs related to the permanent closures of our Westover sawmill and Goodwater, Alabama planer mill.

Note 5. Assets Held for Sale, Liabilities Associated with Assets Held for Sale and Net Gain on Disposition of Assets

Assets held for sale as of June 30, 2010 and December 31, 2009 were comprised of the following:

<i>(Unaudited, in millions)</i>	June 30, 2010	December 31, 2009
Inventories, net	\$ 2	\$ –
Fixed assets, net	7	52
	\$ 9	\$ 52

Liabilities associated with assets held for sale as of June 30, 2010 and December 31, 2009 were comprised of the following:

<i>(Unaudited, in millions)</i>	June 30, 2010	December 31, 2009
Accounts payable and accrued liabilities	\$ 3	\$ 35
	\$ 3	\$ 35

As of December 31, 2009, we held for sale the following assets (all of which were approved for sale, as required, by the applicable Court or the Monitor): our Saint-Raymond, Quebec and Westover sawmills; our recycling division's material recycling facilities located in Arlington, Houston and San Antonio, Texas; our Belgo, Quebec facility; a portion of land at our Port Alfred, Quebec facility; certain assets associated with our Lufkin paper mill and other assets. As of June 30, 2010, we held for sale our Albertville, Alabama sawmill and various other assets (all of which were approved for sale, as required by the applicable Court or the Monitor). The assets and liabilities held for sale are carried in our Consolidated Balance Sheets at the lower of carrying value or fair value less costs to sell. As of June 30, 2010, we expected to complete a sale of all of these assets within the next twelve months for amounts that exceed their individual carrying values. We cease recording depreciation and amortization when assets are classified as held for sale. During the three months ended June 30, 2010, we sold, with Court or Monitor approval, as applicable, various assets for proceeds of \$5 million, resulting in a net gain on disposition of assets of \$4 million. During the six months ended June 30, 2010, we sold, with Court or Monitor approval, as applicable, timberlands and other assets for proceeds of \$13 million, resulting in a net gain on disposition of assets of \$13 million. Additionally, during the six months ended June 30, 2010, as part of our work towards a comprehensive restructuring plan, we sold, with Court approval, various mills and other assets. For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net." There were no material asset sales during the three months ended June 30, 2009. During the six months ended June 30, 2009, we sold 191,838 acres of timberlands and other assets, including the water system associated with our Lufkin mill, for proceeds of \$69 million, resulting in a net gain on disposition of assets of \$53 million.

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

Note 6. Other Income (Expense), Net

Other income (expense), net for the three and six months ended June 30, 2010 and 2009 was comprised of the following:

(Unaudited, in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Foreign exchange gain (loss)	\$ 41	\$ (10)	\$ 37	\$ (4)
Fees for waivers and amendments to accounts receivable securitization program ⁽¹⁾	–	(12)	–	(23)
Loss from equity method investments	(1)	(2)	(3)	(2)
Loss on sale of ownership interests in accounts receivable (Note 12)	–	(4)	–	(7)
Miscellaneous income (loss)	1	(2)	4	5
	\$ 41	\$ (30)	\$ 38	\$ (31)

- (1) As consideration for entering into certain waivers and amendments to our former accounts receivable securitization program, we incurred fees of \$12 million and \$23 million in the three and six months ended June 30, 2009, respectively, prior to the commencement of the Creditor Protection Proceedings.

Note 7. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as of June 30, 2010 and December 31, 2009 was comprised of the following:

(Unaudited, in millions)	June 30, 2010	December 31, 2009
Unamortized prior service costs ⁽¹⁾	\$ (21)	\$ (24)
Unamortized actuarial losses ⁽²⁾	(449)	(432)
Foreign currency translation ⁽³⁾	4	6
	\$ (466)	\$ (450)

- (1) Net of deferred tax provision of \$16 million as of both June 30, 2010 and December 31, 2009. Net of noncontrolling interests of \$1 million and \$2 million of net income as of June 30, 2010 and December 31, 2009, respectively.
- (2) Net of deferred tax benefit of \$65 million and \$64 million as of June 30, 2010 and December 31, 2009, respectively. Net of noncontrolling interests of \$5 million and \$6 million of net losses as of June 30, 2010 and December 31, 2009, respectively.
- (3) No tax effect was recorded for foreign currency translation since the investment in foreign net assets translated is deemed indefinitely invested. Net of noncontrolling interests of zero as of both June 30, 2010 and December 31, 2009.

Note 8. Loss Per Share

No adjustments to net loss attributable to AbitibiBowater Inc. common shareholders were necessary to compute basic and diluted net loss per share attributable to AbitibiBowater Inc. common shareholders for all periods presented. Additionally, no adjustments to our basic weighted-average number of common shares outstanding were necessary to compute our diluted weighted-average number of common shares outstanding for all periods presented. Options to purchase 3.3 million shares for both the three and six months ended June 30, 2010 and 3.6 million shares for both the three and six months ended June 30, 2009 were excluded from the calculation of diluted loss per share as the impact would have been anti-dilutive. In addition, 0.1 million equity-classified restricted stock units for both the three and six months ended June 30, 2010 and 0.2 million equity-classified restricted stock units for both the three and six months ended June 30, 2009 were excluded from the calculation of diluted loss per share for the same reason. In addition, no adjustments to net loss attributable to AbitibiBowater Inc. common shareholders and the diluted weighted-average number of common shares outstanding were necessary for all periods presented after giving effect to the assumed conversion of the convertible notes representing 36.9 million additional common shares.

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

Note 9. Inventories, Net

Inventories, net as of June 30, 2010 and December 31, 2009 were comprised of the following:

<i>(Unaudited, in millions)</i>	June 30, 2010	December 31, 2009
At lower of cost or market:		
Raw materials and work in process	\$ 93	\$ 124
Finished goods	178	199
Mill stores and other supplies	257	271
	528	594
Excess of current cost over LIFO inventory value	(13)	(13)
	\$ 515	\$ 581

During the three months ended June 30, 2010, we recorded charges of \$14 million for write-downs of inventory associated with our indefinitely idled Gatineau paper mill. During the six months ended June 30, 2010, we also recorded charges of \$1 million for write-downs of inventory associated with an indefinitely idled paper machine and de-inking line at our Thorold paper mill. These charges were incurred as part of our restructuring and were included in "Reorganization items, net" in our Consolidated Statements of Operations. During the six months ended June 30, 2009, we recorded charges of \$12 million for write-downs of inventory associated with our indefinitely idled Alabama River, Alabama paper mill, as well as our Dalhousie, New Brunswick paper mill. These charges were not associated with our restructuring and were included in "Cost of sales, excluding depreciation, amortization and cost of timber harvested" in our Consolidated Statements of Operations.

Note 10. Restricted Cash

Restricted cash included in "Other assets" in our Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009 was comprised of the following:

<i>(Unaudited, in millions)</i>	June 30, 2010	December 31, 2009
ULC reserve (Note 12)	\$ 49	\$ 49
ULC DIP Facility (Note 12)	47	48
Proceeds sharing arrangement related to a third-party's sale of timberlands ⁽¹⁾	27	27
Proceeds from asset sales ⁽²⁾	59	—
ACH Limited Partnership ⁽³⁾	9	11
Other	3	3
	\$ 194	\$ 138

(1)

These proceeds are held in trust with the Monitor, pending further order from the Courts.

(2)

Represents proceeds from the sale of various assets, which primarily include our Mackenzie paper mill and sawmills of \$29 million, our recycling division's material recycling facilities located in Arlington, Houston and San Antonio of \$12 million, our West Tacoma, Washington paper mill of \$4 million and our four previously permanently closed paper mills (that we bundled and sold together) of \$6 million. These proceeds are either held in escrow or in a designated account pending further order from the applicable Court.

(3)

Represents cash restricted for capital expenditures, as well as reserves required under the partnership's credit agreement.

In addition, in connection with the accounts receivable securitization program, as of June 30, 2010 and December 31, 2009, we had cash of approximately \$17 million and \$18 million, respectively, in lockbox accounts, which were included as restricted cash in "Other current assets" in our Consolidated Balance Sheets. For additional information, see Note 12, "Liquidity and Debt."

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

Note 11. Severance Related Liabilities

The activity in our severance related liabilities for the six months ended June 30, 2010 was as follows:

<i>(Unaudited, in millions)</i>	2010 Initiatives	2009 Initiatives	2008 Initiatives	2007 Initiatives	Total
Balance as of December 31, 2009	\$ —	\$ 43	\$ 27	\$ 17	\$ 87
Charges (credits)	22	5	—	(2)	25
Payments	—	—	—	—	—
Other	—	(1)	1	(1)	(1)
Balance as of June 30, 2010	\$ 22	\$ 47	\$ 28	\$ 14	\$ 111

During the six months ended June 30, 2010, we recorded employee termination costs resulting from our work towards a comprehensive restructuring plan, primarily related to: (i) the indefinite idling of our Gatineau paper mill, (ii) the indefinite idling of a paper machine and a de-inking line at our Thorold paper mill, (iii) a workforce reduction at our Catawba paper mill and (iv) the continued indefinite idling of our Dolbeau paper mill and a paper machine at our Thunder Bay, Ontario paper mill.

As a result of the Creditor Protection Proceedings, severance payments may only be made pursuant to a Court order or the approval of the Plans of Reorganization.

Employee termination and severance costs incurred as part of our restructuring were included in "Reorganization items, net" in our Consolidated Statements of Operations. The severance accruals were included in "Accounts payable and accrued liabilities" or "Liabilities subject to compromise" in our Consolidated Balance Sheets.

Note 12. Liquidity and Debt

Overview

In addition to cash-on-hand and cash provided by operations, our external sources of liquidity are comprised of the following (which are defined and discussed below): (i) the Bowater DIP Agreement, (ii) the ULC DIP Facility and (iii) the Abitibi and Donohue accounts receivable securitization program. The commencement of the Creditor Protection Proceedings constituted an event of default under substantially all of our pre-petition debt obligations, and those debt obligations became automatically and immediately due and payable by their terms, although any action to enforce such payment obligations is stayed as a result of the commencement of the Creditor Protection Proceedings. Due to the commencement of the Creditor Protection Proceedings, unsecured pre-petition debt obligations of \$4,851 million are included in "Liabilities subject to compromise" in our Consolidated Balance Sheets as of June 30, 2010. Secured pre-petition debt obligations of \$980 million (consisting of ACCC's \$300 million 13.75% senior secured notes due 2011, Abitibi's \$347 million pre-petition senior secured term loan and Bowater's \$333 million pre-petition secured bank credit facilities) are included in current liabilities and secured pre-petition debt obligations of \$34 million (consisting of Bowater's floating rate industrial revenue bonds due 2029) are included in "Long-term debt, net of current portion" in our Consolidated Balance Sheets as of June 30, 2010. See Note 3, "Creditor Protection Proceedings Related Disclosures – Liabilities subject to compromise."

FASB ASC 852 requires that debt discounts and premiums, as well as debt issuance costs, be viewed as part of the valuation of the related pre-petition debt. When the debt has become an allowed claim and the allowed claim differs from the net carrying amount of the debt, the recorded amount should be adjusted to the amount of the allowed claim (thereby adjusting existing debt discounts, premiums and issuance costs to the extent necessary to report the debt at this allowed amount). As of August 16, 2010, the Courts had not confirmed any of our outstanding debt obligations as allowed claims. Therefore, we have not adjusted debt discounts, premiums and issuance costs, totaling \$674 million as of June 30, 2010, related to our outstanding debt. We will be required to expense these amounts or a portion thereof as reorganization items if the Courts ultimately allow claim amounts that differ from the net carrying amount of the debt.

For purposes of determining the amounts of allowed unsecured claims, any claims filed against a CCAA filer or Chapter 11

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

filer denominated in a currency other than the local currency will be translated to Canadian dollars and U.S. dollars, respectively, using the exchange rate in effect as of the date of the commencement of the Creditor Protection Proceedings for all Chapter 11 claims and for CCAA claims that existed as of the filing date, or the exchange rate in effect as of the date of the notice or event that gave rise to the claim for CCAA claims that arose after the filing date (the “fixed exchange rate”). The majority of our CCAA filers’ unsecured pre-petition debt obligations are denominated in U.S. dollars. The amounts recorded for these unsecured pre-petition debt obligations in our Liabilities subject to compromise as of June 30, 2010 do not reflect the impact of this fixed exchange rate since we do not record our unsecured pre-petition debt obligations at the estimated amounts of the allowed claims. These amounts will be adjusted to the allowed claim amounts once the amounts of the claims are approved by the Courts. As noted above, as of August 16, 2010, the Courts had not confirmed any of our outstanding debt obligations as allowed claims. The impact of the fixed exchange rate on our unsecured pre-petition debt obligations, assuming the contractual principal amounts were to be allowed by the Courts, would be an increase of approximately \$431 million as of June 30, 2010. We will be required to record an expense for a similar amount as a reorganization item once the Courts determine the allowed amounts of the claims for our unsecured pre-petition debt obligations, assuming foreign exchange rates remain constant.

In accordance with FASB ASC 852, we have continued to record interest expense on our pre-petition debt obligations only to the extent that: (i) interest will be paid during the Creditor Protection Proceedings or (ii) it is probable that interest will be an allowed priority, secured or unsecured claim. As such, we have continued to accrue interest on the Debtors’ pre-petition secured debt obligations and the CCAA filers’ pre-petition unsecured debt obligations (based on the expectation that accrued interest on the CCAA filers’ pre-petition debt obligations will be a permitted claim under the CCAA Proceedings). Interest expense recorded in our Consolidated Statements of Operations totaled \$129 million for the three months ended June 30, 2010 and \$318 million for the six months ended June 30, 2010, which included a cumulative adjustment of \$43 million to adjust the accrued interest on the unsecured U.S. dollar denominated debt obligations of the CCAA filers to the fixed exchange rate discussed above. Interest expense recorded in our Consolidated Statements of Operations totaled \$143 million and \$335 million for the three and six months ended June 30, 2009, respectively. Contractual interest expense would have been \$172 million and \$369 million for the three and six months ended June 30, 2010, respectively, and \$194 million and \$386 million for the three and six months ended June 30, 2009, respectively. We are currently making cash payments for interest on the Bowater DIP Agreement (as defined below), the Abitibi and Donohue accounts receivable securitization program, the Bowater pre-petition secured bank credit facilities, Abitibi’s pre-petition senior secured term loan and Bowater’s floating rate industrial revenue bonds due 2029.

Abitibi and Donohue liquidity

Abitibi’s and Donohue’s primary sources of liquidity and capital resources are cash-on-hand, cash provided by operations, the ULC DIP Facility (defined below) and an accounts receivable securitization program. As of June 30, 2010, Abitibi and Donohue had cash and cash equivalents of approximately \$205 million and \$19 million, respectively. As of June 30, 2010, Abitibi had \$94 million of availability under its ULC DIP Facility, of which \$47 million was included in “Cash and cash equivalents” and \$47 million was included as restricted cash in “Other assets” in our Consolidated Balance Sheets. Abitibi and Donohue also had the ability to receive additional proceeds of up to \$33 million under their accounts receivable securitization program.

ULC DIP Facility

On December 9, 2009, Abitibi entered into a Cdn\$230 million (\$218 million) Super Priority Debtor-In-Possession Credit Facility (the “ULC DIP Facility”) with 3239432 Nova Scotia Company, a wholly-owned subsidiary of ACCC (the “ULC”), which is an intercompany facility that was created upon the sale of MPCo and was funded by a portion of the sale proceeds. On the same date, Cdn\$130 million (\$123 million) of the ULC DIP Facility was drawn pursuant to the Canadian Court’s approval. Subsequent draws of up to Cdn\$50 million (\$47 million, based on the exchange rate in effect on June 30, 2010) in the aggregate will be advanced upon not less than five business days’ notice, subject to meeting certain draw down requirements and certain conditions determined by the Canadian Court, and the remaining Cdn\$50 million (\$47 million, based on the exchange rate in effect on June 30, 2010) will become available only upon further order of the Canadian Court.

The obligations of Abitibi under its ULC DIP Facility are guaranteed by certain of Abitibi’s subsidiaries and secured by superpriority liens on all present and after-acquired property of Abitibi and the subsidiary guarantors, but subordinate to: (i) an administrative charge in the aggregate amount not exceeding Cdn\$6 million (\$6 million) of professional fees and

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disbursements in connection with the CCAA Proceedings; (ii) a directors' charge not exceeding Cdn\$22.5 million (\$21 million) and (iii) the Cdn\$140 million (\$130 million) charge granted by the Canadian Court in connection with Abitibi's former debtor in possession financing arrangement (but only to the extent of the subrogation rights of certain secured creditors of Abitibi, estimated to be in an aggregate amount of approximately Cdn\$40 million (\$38 million)). These U.S. dollar amounts reflect the exchange rate to U.S. dollars in effect on December 9, 2009.

Loans made under the ULC DIP Facility bear no interest, except in the case of an overdue payment. All loans advanced under the ULC DIP Facility are to be repaid in full and the ULC DIP Facility will terminate on the earliest of: (i) December 31, 2010, (ii) the effective date of a plan or plans of reorganization or a plan of compromise or arrangement confirmed by order of the Courts or (iii) the acceleration of the ULC DIP Facility or the occurrence of an event of default. Loans must be prepaid to the extent the ULC does not have sufficient funds to make a payment under the guarantee agreement with Alcoa Canada Ltd. ("Alcoa"), which was our partner in MPCo and continues to own a 40% interest in MPCo. As of June 30, 2010, the ULC maintained an approximate Cdn\$52 million (\$49 million) reserve for this purpose, which was included as restricted cash in "Other assets" in our Consolidated Balance Sheets. The ULC DIP Facility contains usual and customary events of default and covenants for debtor in possession financings of this type, including, among other things, the obligation for Abitibi to provide to Alcoa and the trustee for the 13.75% senior secured notes due 2011 a weekly cash flow forecast and certain monthly financial information.

In accordance with its stated purpose, the proceeds of the loans under the ULC DIP Facility can be used by Abitibi and certain of its subsidiaries for working capital and other general corporate purposes, costs of the Creditor Protection Proceedings and fees and expenses associated with the ULC DIP Facility.

Abitibi and Donohue accounts receivable securitization program

Abitibi and ACSC, a subsidiary of Donohue, (the "Participants") participate in an accounts receivable securitization program (the "Program") whereby the Participants share among themselves the proceeds received under the Program. On June 16, 2009, with the approval of the Courts, the former accounts receivable securitization program was amended and restated in its entirety and, as further amended on June 11, 2010, with the approval of the Courts, now provides for a maximum outstanding limit of \$180 million (the "Purchase Limit") for the purchase of ownership interests in the Participants' eligible trade accounts receivable by the third-party financial institutions party to the agreement (the "Banks").

The Participants sell most of their receivables to Abitibi-Consolidated U.S. Funding Corp. ("Funding"), which is a bankruptcy-remote, special-purpose, indirect consolidated subsidiary of Donohue. On a revolving basis, Funding transfers to the agent for the Banks (the "Agent") undivided percentage ownership interests ("Receivable Interests") in the pool of receivables that Funding acquired from the Participants. The outstanding balance of Receivable Interests increases as new Receivable Interests are transferred to the Agent and decreases as collections reduce previously transferred Receivable Interests. The amount of Receivable Interests that can be transferred to the Agent depends on the amount and nature of the receivables available to be transferred and cannot result in the outstanding balance of Receivable Interests exceeding the Purchase Limit. The pool of receivables is collateral for the Receivable Interests transferred to the Agent. The Banks can pledge or sell their Receivable Interests, but cannot pledge or sell any receivable within the pool of receivables.

As discussed in Note 1, "Organization and Basis of Presentation – Recently adopted accounting guidance," effective January 1, 2010, we prospectively applied new accounting guidance relating to the transfers of financial assets. As a result, transfers of the Receivable Interests to the Agent no longer qualify as sales. Such transfers and the proceeds received from the Banks are now accounted for as secured borrowings in accordance with FASB ASC 860, "Transfers and Servicing." As of June 30, 2010, the interest rate charged by the Banks to Funding on the secured borrowings was 6.25% per annum and the commitment fee for the unused portion of the Purchase Limit was 0.75% per annum. These amounts, which totaled approximately \$3 million and \$7 million for the three and six months ended June 30, 2010, respectively, are included in "Interest expense" in our Consolidated Statements of Operations. For the three and six months ended June 30, 2009, the transfer of Receivable Interests were recorded as a sale to the Banks, and the proceeds received from the Banks were net of an amount based on the Banks' funding cost plus a margin, which resulted in a loss on the sale of ownership interests in accounts receivable of \$4 million and \$7 million, respectively, which was included in "Other expense, net" in our Consolidated Statements of Operations. As of June 30, 2010, the balance of the pool of receivables, net of an allowance for doubtful accounts was included in

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“Accounts receivable, net” in our Consolidated Balance Sheets. The outstanding balance of the proceeds received from the Banks was approximately \$120 million and was recorded as “Secured borrowings” in our Consolidated Balance Sheets. In addition, based on the level and eligibility of the pool of receivables as of June 30, 2010, we could have borrowed an additional \$33 million.

Abitibi and ACSC act as servicing agents and administer the collection of the receivables under the Program. The fees received from the Banks for servicing their Receivable Interests approximate the value of services rendered.

In connection with the Program, Abitibi and ACSC maintain lockboxes into which certain collection receipts are deposited. These lockbox accounts are in Abitibi’s or Funding’s name, but are controlled by the Banks. The cash balances in these lockbox accounts, which totaled approximately \$17 million and \$18 million as of June 30, 2010 and December 31, 2009, respectively, were included as restricted cash in “Other current assets” in our Consolidated Balance Sheets.

The Program contains usual and customary events of termination and covenants for accounts receivable securitization programs of this type, including, among other things, the requirement for Funding to provide to the Agent financial statements and other reports and to provide to the Agent copies of any reports the Participants or their subsidiaries file with the SEC or any other U.S., Canadian or other national or provincial securities exchange. Unless terminated earlier due to the occurrence of certain events of termination, or the substantial consummation of a plan or plans of reorganization or a plan of compromise or arrangement confirmed by order of the Courts, the Program, as further amended on June 11, 2010, will terminate on June 10, 2011. As consideration for entering into the amendment to the Program on June 11, 2010, we incurred fees of approximately \$4 million during the second quarter of 2010. As consideration for entering into the amended and restated accounts receivable securitization program on June 16, 2009, we incurred fees of approximately \$11 million during the second quarter of 2009. These fees were recorded in “Reorganization items, net” in our Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (see Note 3, “Creditor Protection Proceedings Related Disclosures – Reorganization items, net”).

Bowater liquidity

Bowater’s primary sources of liquidity and capital resources are cash-on-hand, cash provided by operations and the Bowater DIP Agreement (defined below). As of June 30, 2010, Bowater had cash and cash equivalents of approximately \$484 million.

Bowater DIP Agreement

In the Creditor Protection Proceedings, we sought and obtained final approval by the Courts to enter into a debtor in possession financing facility for the benefit of AbitibiBowater Inc., Bowater and certain of Bowater’s subsidiaries. On April 21, 2009, we entered into a Senior Secured Superpriority Debtor In Possession Credit Agreement (the “Bowater DIP Agreement”) among AbitibiBowater Inc., Bowater and BCFPI, as borrowers, Fairfax Financial Holdings Limited (“Fairfax”), as administrative agent, collateral agent and an initial lender, and Avenue Investments, L.P., as an initial lender. On May 8, 2009, Law Debenture Trust Company of New York replaced Fairfax as the administrative agent and collateral agent under the Bowater DIP Agreement.

The Bowater DIP Agreement provides for term loans in an aggregate principal amount of \$206 million (the “Initial Advance”), consisting of a \$166 million term loan facility to AbitibiBowater Inc. and Bowater (the “U.S. Borrowers”) and a \$40 million term loan facility to BCFPI. Following the payment of fees payable to the lenders in connection with the Bowater DIP Agreement, the U.S. Borrowers and BCFPI received aggregate loan proceeds of \$196 million.

The Bowater DIP Agreement also permits the U.S. Borrowers to request, subject to the approval of the requisite lenders under the Bowater DIP Agreement, an incremental term loan facility (the “Incremental Facility”) and an asset based-revolving credit facility (the “ABL Facility”), provided that the aggregate principal amount of the Initial Advance and the Incremental Facility may not exceed \$360 million and the aggregate principal amount of the Initial Advance, Incremental Facility and the ABL Facility may not exceed \$600 million. In connection with an amendment we entered into on July 15, 2010, which was approved by the U.S. Court on July 14, 2010 and the Canadian Court on July 21, 2010, we prepaid \$166 million of the outstanding principal amount of the Initial Advance on July 21, 2010, which reduced the outstanding principal balance to

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\$40 million. As amended, the outstanding principal amount of loans under the Bowater DIP Agreement, plus accrued and unpaid interest, will be due and payable on the earliest of: (i) December 31, 2010, (ii) the effective date of a plan or plans of reorganization or (iii) the acceleration of loans and termination of the commitments (the “Maturity Date”).

Borrowings under the Bowater DIP Agreement bear interest, at our election, at either a rate tied to the U.S. Federal Funds Rate (the “base rate”) or the London interbank offered rate for deposits in U.S. dollars (“LIBOR”), in each case plus a specified margin. The interest margin for base rate loans was 6.50% through April 20, 2010 and effective April 21, 2010 was 7.00%, with a base rate floor of 4.50%. The interest margin for base rate loans was reduced to 5.00% effective July 15, 2010 in connection with the July 15, 2010 amendment. The interest margin for LIBOR loans was 7.50% through April 20, 2010 and effective April 21, 2010 was 8.00%, with a LIBOR floor of 3.50%. The interest margin for LIBOR loans was reduced to 6.00% with a LIBOR floor of 2.00% effective July 15, 2010 in connection with the July 15, 2010 amendment. We incurred an extension fee and an amendment fee in connection with the May 5, 2010 extension and the July 15, 2010 amendment, respectively, in each case in an amount of 0.5% of the outstanding principal balance of \$206 million, or approximately \$1 million for each. We will be required to pay a duration fee of 0.5% of the outstanding principal balance (estimated to be \$40 million), or approximately \$200,000, if the aggregate principal amount of the advances under the Bowater DIP Agreement have not been repaid in full on or prior to October 15, 2010. In addition, on the earlier of the final Maturity Date or the date that the Bowater DIP Agreement is repaid in full, an exit fee of 2.00% of the aggregate amount of the advances will be payable to the lenders.

The obligations of the U.S. Borrowers under the Bowater DIP Agreement are guaranteed by AbitibiBowater Inc., Bowater, Bowater Newsprint South LLC (“Newsprint South”), a direct, wholly-owned subsidiary of AbitibiBowater Inc., and each of the U.S. subsidiaries of Bowater and Newsprint South that are debtors in the Chapter 11 Cases (collectively, the “U.S. Guarantors”) and secured by all or substantially all of the assets of each of the U.S. Borrowers and the U.S. Guarantors. The obligations of BCFPI under the Bowater DIP Agreement are guaranteed by the U.S. Borrowers and the U.S. Guarantors and each of the Bowater Canadian subsidiaries (other than BCFPI) that are debtors in the CCAA Proceedings (collectively, the “Canadian Guarantors”) and secured by all or substantially all of the assets of the U.S. Borrowers, the U.S. Guarantors, BCFPI and the Canadian Guarantors. On June 24, 2009, Bowater Canadian Finance Corporation was released from its obligations under the Bowater DIP Agreement.

The Bowater DIP Agreement contains customary covenants for debtor in possession financings of this type, including, among other things: (i) requirements to deliver financial statements, other reports and notices; (ii) restrictions on the incurrence and repayment of indebtedness; (iii) restrictions on the incurrence of liens; (iv) restrictions on making certain payments; (v) restrictions on investments; (vi) restrictions on asset dispositions and (vii) restrictions on modifications to material indebtedness. Additionally, the Bowater DIP Agreement contains certain financial covenants, including, among other things: (i) maintenance of a minimum consolidated EBITDA; (ii) compliance with a minimum fixed charge coverage ratio and (iii) a maximum amount of capital expenditures.

In accordance with its stated purpose, the proceeds of the Bowater DIP Agreement can be used by us for, among other things, working capital, general corporate purposes, to pay adequate protection to holders of secured debt under Bowater’s and BCFPI’s pre-petition secured bank credit facilities, to pay the costs associated with administration of the Creditor Protection Proceedings and to pay transaction costs, fees and expenses in connection with the Bowater DIP Agreement.

As consideration for the May 5, 2010 extension of the Bowater DIP Agreement to July 21, 2010, during the second quarter of 2010, we incurred fees of approximately \$1 million. As consideration for entering into the Bowater DIP Agreement, during the second quarter of 2009, we incurred fees of approximately \$14 million. These fees were recorded in “Reorganization items, net” in our Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (see Note 3, “Creditor Protection Proceedings Related Disclosures – Reorganization items, net”).

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Note 13. Pension and Other Postretirement Benefit Plans

The components of net periodic benefit cost (credit) relating to our pension and other postretirement benefit plans (“OPEB plans”) for the three and six months ended June 30, 2010 and 2009 were as follows:

Pension Plans:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited, in millions)	2010	2009	2010	2009
Service cost	\$ 10	\$ 9	\$ 20	\$ 19
Interest cost	86	82	171	164
Expected return on plan assets	(90)	(87)	(180)	(175)
Amortization of prior service cost	1	1	2	2
Recognized net actuarial loss (gain)	1	(2)	2	(4)
Curtailments	4	—	4	(10)
	\$ 12	\$ 3	\$ 19	\$ (4)

OPEB Plans:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited, in millions)	2010	2009	2010	2009
Service cost	\$ 1	\$ 1	\$ 2	\$ 2
Interest cost	6	6	12	12
Amortization of prior service credit	(2)	(3)	(4)	(6)
Recognized net actuarial loss	1	1	1	2
Curtailments	—	(1)	—	(2)
	\$ 6	\$ 4	\$ 11	\$ 8

Event impacting net periodic benefit cost for the three and six months ended June 30, 2010*

In May 2010, as a result of the indefinite idling of our Gatineau paper mill, approximately 330 positions were impacted. As a result, a curtailment loss of \$4 million was included in the net periodic benefit cost of our pension plans.

Events impacting net periodic benefit cost (credit) for the three and six months ended June 30, 2009

In June 2009, as a result of the permanent closure of our Westover sawmill and Goodwater planer mill operations, approximately 60 positions were eliminated. As a result, a curtailment gain of \$1 million was included in the net periodic benefit cost of our OPEB plans.

In February 2009, upon the permanent closure of our Grand Falls, Newfoundland and Labrador newsprint mill, approximately 473 positions were eliminated. As a result, a curtailment gain of \$10 million was included in the net periodic benefit credit of our pension plans and a curtailment gain of \$1 million was included in the net periodic benefit cost of our OPEB plans.

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Note 14. Income Taxes

The income tax benefit attributable to loss before income taxes differs from the amounts computed by applying the United States federal statutory income tax rate of 35% for the three and six months ended June 30, 2010 and 2009 as a result of the following:

(Unaudited, in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Loss before income taxes	\$ (309)	\$ (547)	\$ (816)	\$ (764)
Income tax benefit (provision):				
Expected income tax benefit	108	191	286	267
(Decrease) increase in income taxes resulting from:				
Valuation allowance	(139)	(75)	(211)	(146)
Foreign exchange	73	(48)	20	(37)
State income taxes, net of federal income tax benefit	1	—	2	—
Foreign taxes	(38)	(17)	(97)	(23)
Other, net	4	(17)	10	(20)
	\$ 9	\$ 34	\$ 10	\$ 41

Income tax benefits generated on the majority of our losses for all periods presented were entirely offset by tax charges to increase our valuation allowance related to these tax benefits. Additionally, any income tax benefit recorded on any future losses will probably be offset by additional increases to the valuation allowance (tax charge). During the three and six months ended June 30, 2009, we recorded a tax recovery of approximately \$41 million and \$49 million, respectively, related to the asset impairment charges recorded associated with our assets held for sale for our investment in MPCo. For additional information, see Note 4, "Closure Costs, Impairment and Other Related Charges."

During the six months ended June 30, 2009, we reversed \$36 million of liabilities for unrecognized tax benefits as a result of pending Canadian legislation that was enacted during the first quarter of 2009. This reversal had no impact on income tax expense as it was offset by an adjustment to the valuation allowance.

Note 15. Commitments and Contingencies

Creditor Protection Proceedings

On April 16, 2009 and December 21, 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions for relief under Chapter 11. In addition, on April 17, 2009, certain of AbitibiBowater Inc.'s Canadian subsidiaries sought creditor protection under the CCAA. On April 17, 2009, Abitibi and ACCC each filed Chapter 15 Cases to obtain recognition and enforcement in the United States of certain relief granted in the CCAA Proceedings and also on that date, AbitibiBowater Inc. and certain of its subsidiaries in the Chapter 11 Cases obtained orders under the 18.6 Proceedings. Our wholly-owned subsidiary that operates our Mokpo operations and almost all of our less than wholly-owned subsidiaries continue to operate outside of the Creditor Protection Proceedings.

On July 9, 2010, the Canadian Court approved the mailing of solicitation materials related to the CCAA Plan and on August 2, 2010, the U.S. Court approved the solicitation materials related to our Chapter 11 Plan. These approvals enable us to begin soliciting votes from creditors to accept or reject our Plans of Reorganization in accordance with the applicable Court orders.

For additional information, see Note 2, "Creditor Protection Proceedings."

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Legal items

We are involved in various legal proceedings relating to contracts, commercial disputes, taxes, environmental issues, employment and workers' compensation claims and other matters. We periodically review the status of these proceedings with both inside and outside counsel. Although the final outcome of any of these matters is subject to many variables and cannot be predicted with any degree of certainty, we establish reserves for a matter (including legal costs expected to be incurred) when we believe an adverse outcome is probable and the amount can be reasonably estimated. We believe that the ultimate disposition of these matters will not have a material adverse effect on our financial condition, but it could have a material adverse effect on our results of operations in any given quarter or year.

Subject to certain exceptions, all litigation against the Debtors that arose or may arise out of pre-petition conduct or acts is subject to the automatic stay provisions of Chapter 11 and the CCAA and the orders of the Courts rendered thereunder. In addition, any recovery by the plaintiffs in those matters will be treated consistent with all other general unsecured claims in the Creditor Protection Proceedings.

Information on our commitments and contingencies is presented in Note 22, "Commitments and Contingencies," included in our consolidated financial statements for the year ended December 31, 2009, incorporated herein by reference, as updated in Note 15, "Commitments and Contingencies," included in our unaudited interim consolidated financial statements for the quarter ended March 31, 2010, incorporated herein by reference, as further updated above. Except as otherwise updated in our unaudited interim consolidated financial statements for the quarter ended March 31, 2010 or as described above, there have been no material developments to the legal proceedings described in our consolidated financial statements for the year ended December 31, 2009.

Employees

As of June 30, 2010, we employed approximately 11,200 people, of whom approximately 8,100 were represented by bargaining units. Our unionized employees are represented predominantly by the Communications, Energy and Paperworkers Union (the "CEP") in Canada and predominantly by the United Steelworkers International in the U.S.

A significant number of our collective bargaining agreements with respect to our paper operations in Eastern Canada expired at the end of April 2009. At the beginning of March 2010, we reached an agreement in principle with the CEP and the Confédération des syndicats nationaux (the "CSN"), subject to the resolution of ongoing discussions with the governments of Quebec and Ontario regarding funding relief in respect of the material solvency deficits in pension plans sponsored by Abitibi and Bowater. Ratification of these agreements has been completed in all locations.

On April 29, 2010, a coalition of U.S. labor unions led by the United Steelworkers International ratified a new master bargaining agreement covering mills in Calhoun, Catawba, Coosa Pines, Alabama and Augusta. The individual mill collective bargaining agreements adopted in connection therewith will extend through April 27, 2014 in the case of Calhoun and Catawba and April 27, 2015 in the case of Coosa Pines and Augusta. The master bargaining agreement will become effective upon consummation of the Plans of Reorganization.

In May and June 2010, we reached agreements with sawmills and woodland workers in the Mauricie region of the province of Quebec represented by the CSN and most of the unions representing trades and office employees in our four Ontario paper mills. We are still negotiating the renewal of collective bargaining agreements with other unions also representing trades and office employees in those four Ontario mills.

In June 2010, we reached an agreement for the renewal of the collective bargaining agreements of four sawmills affiliated with the CEP. The CEP union agreement has since been serving as a model agreement for three other sawmills located in Saint-Felicien, Normandin and Comtois, Quebec. Except for the agreement related to the sawmill in Comtois, these agreements have been ratified.

We started discussions at the end of June 2010 with the CEP for the reopening and/or renewal of eight woodland unions representing 800 employees working in the Lac Saint-Jean, Quebec region.

The employees at the Mokpo facility have complied with all conditions necessary to strike, but the possibility of a strike or lockout of those employees is not clear; we served the six-month notice necessary to terminate the collective bargaining

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agreement related to the Mokpo facility on June 19, 2009.

We may not be able to reach satisfactory agreements with all of our employees, which could result in strikes or work stoppages by affected employees.

Renewals could also result in higher wage or benefit costs.

Note 16. Segment Information

We manage our business based on the products that we manufacture and sell to external customers. Our reportable segments are newsprint, coated papers, specialty papers, market pulp and wood products.

None of the income or loss items following "Operating loss" in our Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management. For the same reason, closure costs, impairment and other related charges, employee termination costs, net gain on disposition of assets, costs associated with our unsuccessful refinancing efforts and other discretionary charges or credits are not allocated to our segments. Share-based compensation expense is, however, allocated to our segments. We also allocate depreciation expense to our segments, although the related fixed assets are not allocated to segment assets.

Information about segment sales and operating income (loss) for the three and six months ended June 30, 2010 and 2009 was as follows:

<i>(Unaudited, in millions)</i>		Newsprint	Coated Papers	Specialty Papers	Market Pulp ⁽¹⁾	Wood Products	Corporate and Other	Consolidated Total
Sales								
Second quarter	2010	\$ 456	\$ 114	\$ 329	\$ 172	\$ 111	\$ —	\$ 1,182
Second quarter	2009	441	94	328	117	56	—	1,036
First six months	2010	889	220	628	335	210	—	2,282
First six months	2009	935	208	673	219	109	5	2,149
Operating income (loss) ⁽²⁾								
Second quarter	2010	\$ (49)	\$ 5	\$ (25)	\$ 24	\$ 3	\$ (31)	\$ (73)
Second quarter ⁽³⁾	2009	(81)	27	21	38	(20)	(270)	(285)
First six months	2010	(151)	1	(33)	37	5	(42)	(183)
First six months ⁽³⁾	2009	(62)	50	61	27	(47)	(328)	(299)

(1)

Market pulp sales excluded inter-segment sales of \$2 million and \$4 million for the three months ended June 30, 2010 and 2009, respectively, and \$12 million and \$6 million for the six months ended June 30, 2010 and 2009, respectively.

(2)

Corporate and other operating income (loss) for the three and six months ended June 30, 2010 and 2009 included the following special items:

<i>(Unaudited, in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net gain on disposition of assets	\$ 4	\$ 1	\$ 13	\$ 53
Closure costs, impairment and other related charges	(3)	(240)	(8)	(270)
Write-downs of inventory	—	(12)	—	(12)
Reversal of previously recorded Canadian capital tax liabilities due to new legislation	—	16	—	16
Fees for unsuccessful refinancing efforts	—	(4)	—	(10)
	\$ 1	\$ (239)	\$ 5	\$ (223)

(3)

Operating income (loss) for newsprint, coated papers, specialty papers and market pulp included \$4 million, \$17 million, \$8 million and \$56 million, respectively, for the alternative fuel mixture tax credits for the three months ended June 30, 2009 and \$6 million, \$27 million, \$13 million and \$72 million, respectively, for the six months ended June 30, 2009. Reference is made to Note 17, "Alternative Fuel Mixture Tax Credits," for additional information.

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ABITIBIBOWATER INC. (Under Creditor Protection Proceedings as of April 16 and 17, 2009 – Notes 1, 2 and 3) Notes to Unaudited Interim Consolidated Financial Statements

Note 17. Alternative Fuel Mixture Tax Credits

During 2009, the U.S. Internal Revenue Code of 1986, as amended (the “Code”) provided a tax credit for companies that use alternative fuel mixtures to produce energy to operate their businesses. The credit, equal to \$0.50 per gallon of alternative fuel contained in the mixture, was refundable to the taxpayer. During the three and six months ended June 30, 2009, we recorded \$85 million and \$118 million, respectively, of these credits, which were included in “Cost of sales, excluding depreciation, amortization and cost of timber harvested” in our Consolidated Statements of Operations. According to the Code, the tax credit expired at the end of 2009.

Note 18. Subsequent Events

The following significant events occurred subsequent to June 30, 2010:

- On July 9, 2010, the Canadian Court approved the mailing of solicitation materials related to the CCAA Plan and on August 2, 2010, the U.S. Court approved the solicitation materials related to our Chapter 11 Plan. These approvals enable us to begin soliciting votes from creditors to accept or reject our Plans of Reorganization in accordance with the applicable Court orders. For additional information, see Note 2, “Creditor Protection Proceedings – Reorganization process.”
- As more fully discussed in Note 12, “Liquidity and Debt,” on July 15, 2010, with the approval of the Courts, we entered into an amendment to the Bowater DIP Agreement whereby, among other things, on July 21, 2010, we prepaid \$166 million of the outstanding principal amount of advances under this agreement.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") of AbitibiBowater Inc. (with its subsidiaries and affiliates, either individually or collectively, unless otherwise indicated, referred to as "AbitibiBowater," "we," "our," "us" or the "Company") provides information that we believe is useful in understanding our results of operations, cash flows and financial condition for the three and six months ended June 30, 2010. This discussion should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited interim consolidated financial statements and related notes appearing in Item 1 of this Quarterly Report on Form 10-Q ("Unaudited Interim Consolidated Financial Statements"), which have been prepared assuming that AbitibiBowater will continue as a going concern. For a discussion of the going concern assumption, as well as the ramifications if the going concern basis is not appropriate, see "Going Concern" below. On April 16 and 17, 2009 and December 21, 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions for creditor protection. See "Creditor Protection Proceedings" below.

Cautionary Statements Regarding Forward-Looking Information and Use of Third-Party Data

Statements in this Quarterly Report on Form 10-Q that are not reported financial results or other historical information of AbitibiBowater are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. They include, for example, statements relating to our: Creditor Protection Proceedings (as defined below); debtor in possession financing arrangements and reorganization process; ability to successfully restructure our debt and other obligations; efforts to reduce costs and increase revenues and profitability, including our cost reduction initiatives regarding selling, general and administrative expenses; business outlook; curtailment of production of certain of our products; assessment of market conditions; financial projections in the disclosure documents in respect of the Plans of Reorganization (as defined below), including the values and assumptions used in those projections; ability to sell non-core assets in light of the current global economic conditions and the requirements under the Creditor Protection Proceedings to obtain court approval for certain asset sales; and strategies for achieving our goals generally. Forward-looking statements may be identified by the use of forward-looking terminology such as the words "should," "would," "could," "will," "may," "expect," "believe," "anticipate," "attempt" and other terms with similar meaning indicating possible future events or potential impact on our business or AbitibiBowater's shareholders.

The reader is cautioned not to place undue reliance on these forward-looking statements, which are not guarantees of future performance. These statements are based on management's current assumptions, beliefs and expectations, all of which involve a number of business risks and uncertainties that could cause actual results to differ materially. The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied in this Quarterly Report on Form 10-Q include:

- risks and uncertainties associated with the Creditor Protection Proceedings, including limitations against debtors in connection therewith, the values, if any, that will be assigned to our various pre-petition liabilities and securities and the Plans of Reorganization, as further described in Exhibit 99.5 to our Current Report on Form 8-K filed with the United States Securities and Exchange Commission ("SEC") on May 28, 2010;
- growth in alternative media that would further reduce the demand for print media and our products;
- the ability of our customers to afford to pay for our products;
- general industry, economic and market conditions, including the new residential construction market in the U.S.;
- our capital intensive operations and the adequacy of our capital resources;
- our ability to obtain permits to operate our facilities and continue to remain in compliance with environmental laws and regulations;
- strikes and other labor-related supply chain disruptions that may impact our ability to operate our facilities;
- fluctuations in foreign currency exchange rates, especially those relative to the U.S. dollar and the Canadian dollar;
- our significant degree of leverage, underfunding of our pension plans and concerns about our financial viability;
- the prices and terms under which we would be able to sell assets;
- the success of our implementation of additional measures to enhance our operating efficiency and productivity;

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- the costs of raw materials such as energy, chemicals and fiber;
- our ability to obtain fair compensation for our expropriated assets in the province of Newfoundland and Labrador, Canada;
- the possibility that we could lose any or all of our equity interest in Augusta Newsprint Company (“ANC”);
- the post-emergence impact of the Creditor Protection Proceedings on our operations, including the impact on our ability to negotiate favorable terms with suppliers, customers, counterparties and others; and
- other risk factors described in Exhibit 99.5 to our Current Report on Form 8-K filed with the SEC on May 28, 2010.

All forward-looking statements in this Quarterly Report on Form 10-Q are expressly qualified by the cautionary statements contained or referred to in this section and in our other filings with the SEC and the Canadian securities regulatory authorities. We disclaim any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The final recovery to creditors and/or shareholders, if any, will not be determined until the Plans of Reorganization, as amended and/or supplemented, have been approved by the applicable Court, as defined below. The recovery will depend on, among other things, the nature of the claim and the debtor against whom the claim is properly made, as further described in the Plans of Reorganization and the related disclosure documents. Accordingly, the value of our obligations, including our debt securities, is highly speculative. The Plans of Reorganization provide that all of our currently outstanding common stock and exchangeable shares will be canceled for no consideration. Appropriate caution should be exercised with respect to existing and future investments in any of our liabilities and/or securities. None of the statements in this Quarterly Report on Form 10-Q or incorporated herein by reference is a solicitation of votes for or against the Plans of Reorganization. Any such solicitation will only be made through appropriate disclosure documents approved by the applicable Court.

Market and industry data

Information about industry or general economic conditions contained in this Quarterly Report on Form 10-Q is derived from third-party sources and certain trade publications (“Third-Party Data”) that we believe are widely accepted and accurate; however, we have not independently verified this information and cannot provide assurances of its accuracy.

Creditor Protection Proceedings

U.S. and Canadian filings for creditor protection

On April 16, 2009 and December 21, 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions (collectively, the “Chapter 11 Cases”) in the United States Bankruptcy Court for the District of Delaware (the “U.S. Court”) for relief under the provisions of Chapter 11 of the United States Bankruptcy Code, as amended (“Chapter 11”). In addition, on April 17, 2009, certain of AbitibiBowater Inc.’s Canadian subsidiaries sought creditor protection (the “CCAA Proceedings”) under the Companies’ Creditors Arrangement Act (the “CCAA”) with the Superior Court of Quebec in Canada (the “Canadian Court”). On April 17, 2009, Abitibi-Consolidated Inc. (“Abitibi”), a subsidiary of AbitibiBowater Inc., and its wholly-owned subsidiary, Abitibi-Consolidated Company of Canada (“ACCC”), each filed a voluntary petition for provisional and final relief (the “Chapter 15 Cases”) in the U.S. Court under the provisions of Chapter 15 of the United States Bankruptcy Code, as amended, to obtain recognition and enforcement in the United States of certain relief granted in the CCAA Proceedings and also on that date, AbitibiBowater Inc. and certain of its subsidiaries in the Chapter 11 Cases obtained orders under Section 18.6 of the CCAA in respect thereof (the “18.6 Proceedings”). The Chapter 11 Cases, the Chapter 15 Cases, the CCAA Proceedings and the 18.6 Proceedings are collectively referred to as the “Creditor Protection Proceedings.” The entities subject to the Creditor Protection Proceedings are referred to herein as the “Debtors.” The U.S. Court and the Canadian Court are collectively referred to as the “Courts.” Our wholly-owned subsidiary that operates our Mokpo, South Korea operations and almost all of our less than wholly-owned subsidiaries continue to operate outside of the Creditor Protection Proceedings.

We initiated the Creditor Protection Proceedings in order to enable us to pursue reorganization efforts under the protection of Chapter 11 and the CCAA, as applicable. We remain in possession of our assets and properties and are continuing to operate our business and manage our properties as “debtors in possession” under the jurisdiction of the Courts and in accordance with the applicable provisions of Chapter 11 and the CCAA. In general, the Debtors are authorized to continue

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to operate as ongoing businesses, but may not engage in transactions outside the ordinary course of business without the approval of the applicable Court(s) or the Monitor (as defined below), as applicable.

The commencement of the Creditor Protection Proceedings constituted an event of default under substantially all of our pre-petition debt obligations, and those debt obligations became automatically and immediately due and payable by their terms, although any action to enforce such payment obligations is stayed as a result of the commencement of the Creditor Protection Proceedings. See Note 3, "Creditor Protection Proceedings Related Disclosures – Liabilities subject to compromise," and Note 12, "Liquidity and Debt," to our Unaudited Interim Consolidated Financial Statements.

On August 2, 2010, the U.S. Court approved the solicitation materials in respect of our *Debtors' Second Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code* (the "Chapter 11 Plan"). On July 9, 2010, the Canadian Court approved the mailing of solicitation materials related to the *CCAA Plan of Reorganization and Compromise* (the "CCAA Plan" and, together with the Chapter 11 Plan, the "Plans of Reorganization"). These approvals enable us to begin soliciting votes from creditors to accept or reject our Plans of Reorganization in accordance with the applicable Court orders. The Plans of Reorganization describe a proposed treatment of creditor claims and certain other matters. The Plans of Reorganization are subject to creditor approval and must also be approved by the applicable Court.

Debtor in possession financing arrangements

In the Creditor Protection Proceedings, we sought and obtained: (i) final approval by the Courts to enter into a debtor in possession financing facility for the benefit of AbitibiBowater Inc., Bowater Incorporated ("Bowater"), a wholly-owned subsidiary of AbitibiBowater Inc., and certain of Bowater's subsidiaries, (ii) final approval by the Canadian Court to enter into a debtor in possession financing facility for the benefit of Abitibi with a wholly-owned subsidiary of ACCC and (iii) final approval by the Courts to amend and restate, in its entirety, the accounts receivable securitization program, as further amended on June 11, 2010, of Abitibi and Donohue Corp. ("Donohue"), an indirect, wholly-owned subsidiary of AbitibiBowater Inc. Each of these financing arrangements is discussed in further detail below under "Liquidity and Capital Resources."

Reorganization process

General

The Courts have issued a variety of orders on either a final or interim basis intended to support our business continuity throughout the restructuring process. These orders include, among other things, authorization to:

- make payments relating to certain employees' pre-petition wages, salaries and benefit programs in the ordinary course;
- ensure the continuation of existing cash management systems;
- honor certain ongoing customer obligations;
- repudiate or reject certain customer, supplier and other contracts;
- enter into our debtor in possession financing arrangements and the Abitibi and Donohue second amended and restated accounts receivable securitization program, as further amended, which are discussed below under "Liquidity and Capital Resources";
- conduct certain asset sales;
- settle certain intercompany obligations;
- restructure our European sales structure; and
- transfer certain properties from one subsidiary of AbitibiBowater to another subsidiary of AbitibiBowater, as well as the placement of the latter subsidiary into receivership.

We also obtained an order from the Canadian Court on May 8, 2009 specifying that the payment of special contributions for past service to Canadian pension plans maintained by Abitibi and Bowater could be suspended. Abitibi and Bowater continue to make their respective Canadian pension plan contributions for current service costs. Special contributions to our Canadian pension plans for past service that were suspended amounted to approximately \$102 million for Abitibi and approximately \$57 million for Bowater on an annual basis. We have continued to meet our obligations to our U.S. pension plans in the ordinary course.

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We have retained legal and financial professionals to advise us on the Creditor Protection Proceedings and may, from time to time, retain additional professionals, subject to any applicable Court approval.

On April 28, 2009, the United States Trustee for the District of Delaware appointed an official committee of unsecured creditors (the "Creditors' Committee") in the Chapter 11 Cases pursuant to the requirements of Chapter 11. The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the U.S. Court with respect to us.

Under the terms of a Canadian Court order, Ernst & Young Inc. serves as the court-appointed monitor under the CCAA Proceedings (the "Monitor") and assisted us in formulating our CCAA restructuring plan.

Stay of proceedings

Subject to certain exceptions under Chapter 11 and the CCAA, our filings (and in Canada, the Initial Order, as defined below) automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against us and our property to recover, collect or secure a claim arising prior to the filing of the Creditor Protection Proceedings. Thus, for example, most creditor actions to obtain possession of property from us, or to create, perfect or enforce any lien against our property, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim, are enjoined unless and until the Courts lift such stay.

We began notifying all known current or potential creditors regarding these filings shortly after the commencement of the Creditor Protection Proceedings.

We have successfully applied on several occasions to the Courts in order to enforce the stay of proceedings against creditors acting in breach of the stay.

Rejection and repudiation of contractual obligations

Under Section 365 and other relevant sections of Chapter 11, we may assume, assign or reject certain executory contracts and unexpired leases, including leases of real property and equipment, subject to the approval of the U.S. Court and certain other conditions. Similarly, pursuant to the initial order issued by the Canadian Court on April 17, 2009 (the "Initial Order"), we have the right to, among other things, repudiate or reject agreements, contracts or arrangements of any nature whatsoever, whether oral or written, subject to the approval of the Monitor or further order of the Canadian Court. Any description of an agreement, contract, unexpired lease or arrangement in this Quarterly Report on Form 10-Q must be read in light of these overriding rights pursuant to Section 365 of Chapter 11 and the relevant provisions of the CCAA, as applicable.

Since initiating the Creditor Protection Proceedings, we have engaged and will continue to engage in a review of our various agreements in light of the overriding rights described above. We have rejected and repudiated a number of leases, including leases of real estate and equipment, and have assumed or assigned certain others. Some of the more significant agreements we repudiated or rejected, as the case may be, include the following:

- We repudiated certain supply contracts between Abitibi and SFK Pate S.E.N.C. and on May 21, 2009, the Canadian Court rejected a motion by SFK Pate S.E.N.C. to overturn that repudiation.
- On June 15, 2009, we filed a motion with the U.S. Court to reject an amended and restated call agreement (the "Call Agreement") in respect of Augusta Newsprint Inc. ("ANI"), an indirect subsidiary of The Woodbridge Company Limited ("Woodbridge") and our partner in ANC. ANC is the partnership that owns and operates the Augusta, Georgia newsprint mill. The Call Agreement obligated Abitibi Consolidated Sales Corporation ("ACSC"), an indirect, wholly-owned subsidiary of AbitibiBowater Inc., to either buy out ANI at a price well above market, or risk losing all of its equity in the joint venture pursuant to forced sale provisions. The U.S. Court granted our motion on October 27, 2009 and approved our rejection of the Call Agreement. Our counterparties to the Call Agreement filed a Notice of Appeal with the U.S. Court on November 3, 2009. Also, on March 9, 2010, Woodbridge filed a motion in the U.S. Court to force ACSC to reject the partnership agreement governing ANC. We filed an objection to such motion on April 9, 2010. The matter was heard on May 26, 2010 but the hearing was not dispositive. The motion thus remains before the U.S. Court.
- On July 7, 2009, we repudiated a parental guarantee issued by Abitibi in favor of NPower Cogen Limited ("NPower") relating to the obligations of Bridgewater Paper Company Limited ("BPCL"), a subsidiary of AbitibiBowater Inc., under an energy supply contract for the Bridgewater, United Kingdom newsprint mill. For additional information, see "Bridgewater Administration" below.
- Effective July 13, 2009, Bowater Canadian Forest Products Inc. ("BCFPI," an indirect subsidiary of Bowater),

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Abitibi and ACCC repudiated contracts with Boralex Dolbeau Inc. and on July 28, 2009, we obtained a motion *De Bene Esse* to confirm our repudiation of those contracts in light of injunctions issued by the Canadian Court and the Court of Appeal of Quebec on January 22, 2008 and October 8, 2008, respectively, initially preventing such actions. Following the repudiation of these contracts, our Dolbeau, Quebec facility has been effectively idled.

- On September 14, 2009, we repudiated certain of Abitibi's shipping contracts with Spliethoff Transport B.V. based on expected savings and more favorable contractual terms with a new shipper. The Canadian Court rejected Spliethoff Transport B.V.'s motion to overturn the repudiation on November 24, 2009.
- We rejected a number of pre-petition engagement letters with financial advisors retained to provide advisory services on an exclusive basis in connection with pre-petition restructuring activities and certain transactions that ultimately were not consummated.

The creditors affected by these repudiations and rejections have filed proofs of claims in the Creditor Protection Proceedings. For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net and – Liabilities subject to compromise," to our Unaudited Interim Consolidated Financial Statements.

Procedures for the filing, review and determination of creditors' claims in the U.S. and in Canada

On August 26, 2009 and September 3, 2009, the Canadian Court and the U.S. Court, respectively, granted our motions to establish November 13, 2009 (the "General Claims Bar Date") as the bar date for the filing of claims, generally representing the majority of our creditors. We notified the majority of our creditors and potential creditors of the General Claims Bar Date and the requirement to file a proof of claim with the Courts before that deadline in order for a claimant to receive any distribution in the Creditor Protection Proceedings. Individuals who were employed by us as of April 16, 2009 (the date on which we filed for creditor protection in the U.S.) or thereafter ("Post-filing Employees") were excluded from the General Claims Bar Date in the U.S. and Canada, as were certain other "Excluded Claims" in Canada.

On January 18, 2010, the Canadian Court issued an order setting out the process for the review, determination and adjudication of contested claims with a view to determining their amounts for an eventual vote by the holders of such claims on a plan of arrangement to be presented by us. No such order has been issued in the U.S., where the applicable procedure for the investigation of discrepancies between liability amounts estimated by us and claims filed by our creditors and for the valuation of liabilities is generally governed by the rules under Chapter 11.

On February 18, 2010, the U.S. Court granted our motion to establish April 7, 2010 (the "Second Claims Bar Date") as the date by which Post-filing Employees were required to file employee proofs of claim against us on account of: (i) any claim against us owing as of April 16, 2009 and (ii) any claim or expense asserted against us for the period from April 16, 2009 through and including February 28, 2010 (but excluding amounts owed for ordinary course payroll obligations that were scheduled to be paid on the next pay date occurring after February 28, 2010, or for the reimbursement of expenses scheduled to be paid in the ordinary course).

On February 23, 2010, the Canadian Court granted our motion to establish an identical Second Claims Bar Date of April 7, 2010 for Post-filing Employees and most previously Excluded Claims, including a category of claims that includes claims arising out of contract repudiation after August 31, 2009 ("Restructuring Claims"). A "rolling bar date," being the later of the Second Claims Bar Date or 30 days after the issuance of a notice giving rise to any Restructuring Claim, was established for those Restructuring Claims that arise between the Second Claims Bar Date of April 7, 2010 and emergence from the CCAA Proceedings.

There have been approximately 7,300 and 8,200 claims filed against the Chapter 11 filers and the CCAA filers, respectively, that total, together with the Chapter 11 filers' scheduled liabilities, approximately \$76 billion (which for purposes of this disclosure, for the claims filed against the CCAA filers in Canadian dollars, reflects the exchange rate to U.S. dollars on the date of the commencement of the CCAA Proceedings, which may not be the rate applicable to every claim). We are currently in the process of reconciling such claims to the amounts we have recorded in "Liabilities subject to compromise" as of June 30, 2010 in our Consolidated Balance Sheets included in our Unaudited Interim Consolidated Financial Statements ("Consolidated Balance Sheets"). Differences in amounts recorded and claims filed by creditors are being investigated and will be resolved, including through the filing of objections with the Courts, where appropriate. We have identified, and expect to continue to identify, many claims that we believe should be disallowed by the Courts because they are duplicative, have been later amended or superseded, are without merit, are overstated or for other reasons. In addition, as a result of this process, we may identify additional liabilities that will need to be recorded or reclassified to liabilities subject to compromise. Also, we have identified, and may continue to identify, recorded liabilities for which no

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claim has been filed, which would result in a reorganization gain upon the elimination of the recorded liabilities. Although we are continuing to make progress, in light of the substantial number and amount of claims filed, the claims resolution process may take considerable time to complete. Completion of the claims resolution process is not a condition to our emergence from the Creditor Protection Proceedings.

In both the U.S. and Canada, the determination of how claims will ultimately be treated, as well as how each class of affected claims will be settled, including payment terms, if applicable, cannot be made until the Courts approve, if at all, the Plans of Reorganization. Accordingly, the ultimate number and amount of allowed claims, as well as the ultimate treatment and recovery of allowed claims, is not determinable at this time. Given the magnitude of the claims asserted, it is possible that allowed claims may be materially in excess of the amounts recorded as liabilities subject to compromise as of June 30, 2010 and adjustments to these liabilities may be recorded as "Reorganization items, net" in our Consolidated Statements of Operations included in our Unaudited Interim Consolidated Financial Statements ("Consolidated Statements of Operations") in future periods. Classification for purposes of our Unaudited Interim Consolidated Financial Statements of any pre-petition liabilities on any basis other than liabilities subject to compromise is not an admission against interest or legal conclusion by the Debtors as to the manner of classification, treatment, allowance or payment in the Creditor Protection Proceedings, including in connection with the Plans of Reorganization that may be approved by the Courts and that may become effective pursuant to the Courts' orders.

For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net and – Liabilities subject to compromise," to our Unaudited Interim Consolidated Financial Statements.

Plan or plans of reorganization

In order to successfully exit from Chapter 11 and the CCAA, we will be required to obtain approval from affected creditors and the Courts of the Plans of Reorganization upon having shown that they satisfy the requirements of Chapter 11 and the CCAA. Once approved, the Plans of Reorganization will resolve our pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance following our exit from Chapter 11 and the CCAA.

In the United States, Chapter 11 provides that we have the exclusive right for up to 18 months after the filing of the Creditor Protection Proceedings to file a plan or plans of reorganization with the U.S. Court. In successive orders, the U.S. Court further extended our exclusive right to file a plan or plans of reorganization and solicit votes thereon, and the current deadlines are September 14, 2010 and November 13, 2010, respectively. However, a motion is pending before the U.S. Court to further extend these deadlines for the maximum periods, which would extend our exclusive right to file a plan or plans of reorganization and solicit votes thereon until October 16, 2010 and December 16, 2010, respectively. We began soliciting votes from creditors for the approval or rejection of our Plans of Reorganization on August 9, 2010. If our exclusivity period were to lapse, any party in interest would be able to file a plan or plans of reorganization. In addition to being voted on and approved by holders of impaired claims and equity interests, the Chapter 11 Plan must satisfy certain requirements of Chapter 11 and must be confirmed by the U.S. Court in order to become effective.

Similarly, in Canada, the Initial Order provides for a general stay of proceedings for an initial period of 30 days. The Canadian Court has extended the stay of proceedings on a number of occasions, most recently through September 8, 2010. We will likely file additional motions to request further extensions of this stay of proceedings, which we believe are routinely granted for up to 18 months in cases of this size and complexity. The Initial Order provides that a plan or plans of reorganization under the CCAA must be filed with the Canadian Court before the termination of the stay of proceedings or such other time or times as may be allowed by the Canadian Court. Third parties could thereafter seek permission to file a plan or plans of reorganization. On July 9, 2010, we received the Canadian Court's approval to mail solicitation materials for our CCAA Plan. In addition to being voted on by the required majority of affected creditors, the CCAA Plan must satisfy certain requirements of the CCAA and must be approved by the Canadian Court in order to become effective.

The Plans of Reorganization describe a proposed treatment of creditor claims and certain other matters. The Plans of Reorganization are subject to creditor approval and must also be approved by the applicable Court. There can be no assurance that the Plans of Reorganization will be supported and approved by affected creditors and approved by the Courts or that any such plan will be implemented successfully. There are a number of significant conditions to the implementation of the Plans of Reorganization, including the adopting of funding relief regulations in form and substance satisfactory to the CCAA filers in Quebec and Ontario in respect of the material solvency deficits in pension plans sponsored by Abitibi and Bowater. Subject to the foregoing, we believe we are on track to emerge from the Creditor Protection Proceedings in the fall of 2010.

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The Plans of Reorganization include, among other things, the following key elements:

- each of the Debtors' operations will continue in substantially their current form;
- all amounts outstanding under the Bowater DIP Agreement (as defined below) will be paid in full in cash and the facility will be terminated;
- all outstanding receivable interests sold under the Abitibi and Donohue accounts receivable securitization program will be repurchased in cash for a price equal to the par amount thereof and the program will be terminated;
- the Bowater pre-petition secured bank credit facilities (which consist of separate credit agreements entered into by Bowater and BCFPI) will be paid in full in cash, including principal and accrued interest;
- the Abitibi pre-petition senior secured term loan will be paid in full in cash, including principal and accrued interest;
- the outstanding ACCC pre-petition 13.75% senior secured notes due 2011 will be paid in full in cash, including principal and accrued interest;
- holders of allowed claims arising from the Debtors' pre-petition unsecured indebtedness will receive their pro rata share of the new common stock to be issued by the reorganized Company upon emergence from the Creditor Protection Proceedings and will be entitled, to the extent eligible, to participate in the Rights Offering (as defined below);
- the Debtors' obligations to fund the prior service costs related to their pension and other postretirement benefit plans will be reinstated, subject to the resolution of funding relief, as further discussed below under "Employees";
- holders of pre-petition unsecured indebtedness with individual claim amounts less than \$5,000 may be paid in cash in an amount equal to 50% of their claim amount, but under certain circumstances, these claim holders may be treated instead like all other holders of claims arising from pre-petition unsecured indebtedness;
- all equity interests in the Company existing immediately prior to the emergence date will be discharged, canceled, released and extinguished;
- the Debtors will conduct a rights offering (the "Rights Offering") for the issuance of convertible senior subordinated notes (the "Convertible Notes"). Under the Rights Offering, each eligible unsecured creditor will receive a non-transferable right entitling such creditor to purchase its proportionate share of up to \$500 million of Convertible Notes to be issued by the reorganized Company on the emergence date. Under certain circumstances, the amount of Convertible Notes may thereafter be increased by up to an additional \$110 million. The Convertible Notes are expected to bear interest at the rate of 10% per annum (11% per annum if we elect to pay a portion of the interest through the issuance of additional Convertible Notes). We have entered into a backstop commitment agreement that provides for the purchase by certain investors of Convertible Notes to the extent that the Rights Offering is under-subscribed, which has been approved by the Courts;
- subject to Court approval and applicable commitment and engagement letters, the reorganized Company will enter into a senior secured asset-based revolving credit facility; and
- subject to Court approval and applicable commitment and engagement letters, the reorganized Company will enter into a senior secured term loan facility, which may be in the form of a loan, high-yield notes, bridge facility or other loan arrangement.

Under the priority scheme established by Chapter 11 and the CCAA, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must be satisfied in full before shareholders are entitled to receive any distribution or retain any property under any plan of reorganization. The final recovery to creditors and/or shareholders, if any, will not be determined until the Plans of Reorganization, as amended and/or supplemented, have been approved by the applicable Court. The recovery will depend on, among other things, the nature of the claim and the debtor against whom the claim is properly made, as further described in the Plans of Reorganization and the related disclosure documents. Accordingly, the value of our obligations, including our debt securities, is highly speculative. The Plans of Reorganization provide that all of our currently outstanding common stock and exchangeable shares will be canceled for no consideration. Appropriate caution should be exercised with respect to existing and future investments in any of our liabilities and/or securities. At this time, there can be no assurance that we will be able to restructure as a going concern, as described below, or successfully implement the Plans of Reorganization.

See Exhibit 99.5 of our Current Report on Form 8-K filed with the SEC on May 28, 2010, for, among other things, the

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strategic, financial, operational and procedural risks resulting from the Creditor Protection Proceedings, as well as a discussion of risks relating to our financial condition, the Plans of Reorganization and the new common stock to be issued by the reorganized Company in connection with the emergence from the Creditor Protection Proceedings.

Further information pertaining to our Creditor Protection Proceedings may be obtained through our website at www.abitibibowater.com. Certain information regarding the CCAA Proceedings, including the reports of the Monitor, is available at the Monitor's website at www.ey.com/ca/abitibibowater. Documents filed with the U.S. Court and other general information about the Chapter 11 Cases are available at <http://chapter11.epiqsystems.com/abh>. Information contained on these websites does not constitute a part of this Quarterly Report on Form 10-Q.

Listing and trading of our common stock and the exchangeable shares of AbitibiBowater Canada Inc.

Due to the commencement of the Creditor Protection Proceedings, each of the New York Stock Exchange and the Toronto Stock Exchange ("TSX") suspended the trading of our common stock at the opening of business on April 16, 2009 and delisted our common stock at the opening of business on May 21, 2009 and the close of market on May 15, 2009, respectively. Our common stock is currently traded in the over-the-counter market and is quoted on the Pink Sheets Quotation Service and on the OTC Bulletin Board under the symbol "ABWTQ." In addition, the TSX suspended the trading of the exchangeable shares of AbitibiBowater Canada Inc. at the opening of business on April 16, 2009 and delisted such shares at the close of market on May 15, 2009.

Reporting requirements

Effective upon the commencement of the Creditor Protection Proceedings, we applied the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, "Reorganizations" ("FASB ASC 852"), in preparing our Unaudited Interim Consolidated Financial Statements and we continue to apply this guidance while we operate under the Creditor Protection Proceedings. The guidance in FASB ASC 852 does not change the manner in which financial statements are prepared. However, it requires that the financial statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, provisions for losses, gains on disposition of assets and other charges directly associated with or resulting from the reorganization and restructuring of the business that have been realized or incurred in the Creditor Protection Proceedings have been recorded in "Reorganization items, net" in our Consolidated Statements of Operations. For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net," to our Unaudited Interim Consolidated Financial Statements. Pre-petition obligations that may be impaired by the reorganization process have been classified in our Consolidated Balance Sheets as "Liabilities subject to compromise." For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Liabilities subject to compromise," to our Unaudited Interim Consolidated Financial Statements. Additionally, we have continued to record interest expense on certain of our pre-petition debt obligations. For additional information, see Note 12, "Liquidity and Debt," to our Unaudited Interim Consolidated Financial Statements.

As a result of the Creditor Protection Proceedings, we are required to periodically file various documents with and provide certain information to the Courts, the Monitor and the Creditors' Committee. Depending on the jurisdiction, such documents and information include statements of financial affairs, schedules of assets and liabilities, monthly operating reports and information relating to forecasted cash flows, as well as certain other financial information. Such documents and information, to the extent they are prepared or provided by us, are prepared and provided according to the requirements of the relevant legislation, subject to variation as approved by an order of the applicable Court. Such documents and information are prepared or provided on an unconsolidated, unaudited or preliminary basis, or in a format different from that used in the consolidated financial statements and the Debtors' condensed combined financial statements included in our periodic reports filed with the SEC. Accordingly, the substance and format of these documents and information does not allow meaningful comparison with our regular publicly disclosed consolidated financial statements. Moreover, such documents and information are not prepared for the purpose of providing a basis for an investment decision relating to our securities or for comparison with other financial information filed with the SEC.

Going Concern

Our Unaudited Interim Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, the Creditor Protection Proceedings raise substantial doubt about our ability to continue as a going concern.

The Creditor Protection Proceedings and our debtor in possession financing arrangements, which are discussed under

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“Liquidity and Capital Resources,” have provided us with a period of time to stabilize our operations and financial condition and develop our Plans of Reorganization. Management believes that these actions make the going concern basis of presentation appropriate. However, given the uncertainty involved in these proceedings, the realization of assets and discharge of liabilities are each subject to significant uncertainty. Further, our ability to continue as a going concern is dependent on market conditions and our ability to obtain the approval of the Plans of Reorganization from affected creditors and the Courts, successfully implement the Plans of Reorganization, improve profitability, obtain exit financing to replace our debtor in possession financing arrangements and renew or extend our current debtor in possession financing arrangements if the need to do so should arise. However, it is not possible to predict whether the actions taken in our restructuring will result in improvements to our financial condition sufficient to allow us to continue as a going concern. If the going concern basis is not appropriate, adjustments will be necessary to the carrying amounts and/or classification of our assets and liabilities.

Further, the implementation of the Plans of Reorganization could materially change the carrying amounts and classifications reported in our Unaudited Interim Consolidated Financial Statements and could result in additional long-lived asset impairment charges. The assets and liabilities in our Unaudited Interim Consolidated Financial Statements do not reflect any adjustments related to the Plans of Reorganization, except for certain charges discussed in Note 3, “Creditor Protection Proceedings Related Disclosures – Reorganization items, net,” to our Unaudited Interim Consolidated Financial Statements.

Bridgewater Administration

On February 2, 2010, BPCL filed for administration in the United Kingdom pursuant to the United Kingdom Insolvency Act 1986, as amended (the “BPCL Administration”). BPCL’s board of directors appointed Ernst & Young LLP as joint administrators for the BPCL Administration, whose responsibilities are to manage the affairs, business and assets of BPCL. In May 2010, the joint administrators announced the sale of the paper mill and all related machinery and equipment. As a result of the filing for administration, we lost control over and the ability to influence BPCL’s operations. As a result, effective as of the date of the BPCL Administration filing, we are no longer consolidating BPCL in our Unaudited Interim Consolidated Financial Statements and are now accounting for BPCL using the cost method of accounting. For additional information, see Note 3, “Creditor Protection Proceedings Related Disclosures – Reorganization items, net,” to our Unaudited Interim Consolidated Financial Statements.

BPCL was a party to a contract with NPower for the cogeneration building and equipment lease and for the purchase of steam and electricity to operate the paper mill. This contract also contained two embedded derivative features, which are no longer included in our Unaudited Interim Consolidated Financial Statements as a result of the deconsolidation of BPCL. Abitibi had provided a guarantee in favor of NPower as it relates to BPCL’s obligations under this agreement, which it repudiated on July 7, 2009. NPower filed a related claim in the Creditor Protection Proceedings against Abitibi in November 2009. In the first quarter of 2010, we recorded a liability for NPower’s repudiated claim. For additional information, see Note 3, “Creditor Protection Proceedings Related Disclosures – Reorganization items, net,” to our Unaudited Interim Consolidated Financial Statements.

Business Strategy and Outlook

As we enter the latter stages of the Creditor Protection Proceedings, we are carefully evaluating our various operations, corporate structure and headcount to restructure in an effective and timely manner. In consultation with the Monitor and the Creditors’ Committee, we have prepared the Plans of Reorganization, which remain subject to the approval of the affected creditors and the Courts. There can be no assurance that the Plans of Reorganization will be approved by any of the affected creditors or the Courts, or that they will be implemented successfully.

In the years leading up to the commencement of the Creditor Protection Proceedings, we experienced significant recurring losses and negative operating cash flows, primarily due to: (i) the weakness in the global economy which has reduced the level and extent of publishing and advertising, which in turn has adversely affected the demand for our pulp and paper products and (ii) the weakness in the construction and real estate markets which has reduced the level of building and remodeling, which has adversely impacted the demand for our wood products. There was a precipitous decline in demand for all of our products and a corresponding decline in selling prices starting in the fourth quarter of 2008, which continued in 2009 as a result of the global economy and weakness in our North American market. In 2007, 2008, 2009 and the first six months of 2010, we took numerous actions to mitigate these losses and negative cash flows, including, among other things: (i) the permanent closures and indefinite idling of certain non-profitable facilities, as well as market-related downtime at other facilities, to reduce our production, (ii) the idling of more than 50% of our lumber production and the consolidation of certain of our wood products operations in Eastern Canada, which materially improved our cost

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competitiveness and our operating results of the business as the business segment continues to be challenged by severe economic conditions and (iii) the successful implementation of price increases in newsprint, coated papers, specialty papers and market pulp prior to the precipitous decline in demand and selling prices.

Market and pricing conditions continued to worsen subsequent to the commencement of our Creditor Protection Proceedings for most of our paper grades and the price of newsprint in North America collapsed to extremely low levels in the summer of 2009. As a result, we curtailed significant capacity in 2009 and the first six months of 2010 in response to declining market conditions, which included the following actions:

- We repudiated contracts with Boralex Dolbeau Inc. (see “Creditor Protection Proceedings – Reorganization process” above), and following such repudiations, our Dolbeau facility has been effectively idled, representing 244,000 short tons of specialty papers annually;
- We announced the indefinite idling of our two newsprint machines at our Thunder Bay, Ontario facility effective August 21, 2009, representing 392,000 metric tons annually, one of which was restarted in February 2010;
- In August 2009, we announced that we would continue to work on selling, general and administrative (“SG&A”) austerity measures with a target reduction of approximately \$100 million on an annualized basis, as compared to 2008. The SG&A reduction efforts included, among other items, a 25% corporate headcount reduction and the suspension of 2009 incentive compensation plans, including equity awards;
- We implemented further production curtailments by indefinitely idling certain additional non-profitable facilities and machines, including our Beupre, Quebec paper mill (which was subsequently permanently closed and sold), representing 241,000 metric tons of specialty papers annually; a specialty paper machine at our Fort Frances, Ontario facility, representing 70,000 metric tons annually; and a newsprint machine at our Coosa Pines, Alabama paper mill, representing 170,000 metric tons annually;
- In March 2010, we announced the indefinite idling of one of our newsprint machines at our Thorold, Ontario facility, effective April 12, 2010, representing approximately 207,000 metric tons of newsprint annually; and
- In May 2010, we announced the indefinite idling of our Gatineau, Quebec facility, representing 358,000 metric tons annually.

Further non-profitable capacity curtailments for 2010 may become necessary if newsprint demand declines or if global conditions worsen for any of our product lines. In our wood products business segment, we expect our 2010 operating rate to continue at extremely low levels and we will continue to take curtailment and other actions to minimize the financial impact as a result of the economic conditions.

Markets began to improve in the fourth quarter of 2009, continuing into the first six months of 2010 in most of our paper and pulp grades, as well as in the lumber market with better than expected lumber pricing. As reported by third-party sources, we have announced price increases in the following paper and pulp grades:

- North American newsprint price increases of \$35 per metric ton in each of September and October 2009 and \$25 per metric ton in each of March, April, May and June 2010;
- Coated mechanical price increases of \$30 per short ton on all new orders and shipments and for all shipments on or after May 1, 2010, an additional \$60 per short ton effective June 1, 2010 and an additional \$60 per short ton effective for all North American shipments on or after September 15, 2010;
- Specialty (supercalendered grades) price increases of \$30 per short ton on all new orders and shipments and for all shipments on or after May 1, 2010, an additional \$60 per short ton effective June 1, 2010 and an additional \$60 per short ton effective for all North American shipments on or after September 15, 2010; and
- Pulp price increases of \$30 to \$50 per metric ton effective March 1, 2010, an additional \$50 per metric ton effective April 1, 2010, an additional \$20 to \$50 per metric ton, depending on the grade, effective May 1, 2010 and an additional \$20 per metric ton on softwood and hardwood grades and \$30 per metric ton on fluff pulp effective June 1, 2010.

We continue to divest non-core assets, subject to the approval of the Courts or the Monitor, as applicable, as a source of additional liquidity. For the duration of the Creditor Protection Proceedings, any divestiture not subject to certain *de minimis* asset sale thresholds under the Creditor Protection Proceedings must be approved by the applicable Court or the Monitor, as applicable. No assurances can be provided that such approvals will be obtained or as to the timing of any such approvals. Proceeds generated as a result of any divestiture: (i) may be deposited in trust with the Monitor, and require

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Court approval to release the proceeds or (ii) may have to be used to repay amounts outstanding pursuant to the terms of our debtor in possession financing arrangements or pre-petition secured indebtedness.

We continue to take a restricted approach to capital spending until market conditions improve and translate into positive cash flow. In light of the Creditor Protection Proceedings, any significant capital spending is subject to the approval of the applicable Court, and there can be no assurance that such approval would be granted.

As we look toward emergence from the Creditor Protection Proceedings, our strategy focuses on the following key elements: (i) improving our business mix, (ii) continuing to reduce our cost structure and (iii) targeting export markets with better newsprint demand.

We plan to improve our business mix by focusing on paper grades that have or are expected to offer better returns. We believe we have cost effective opportunities to grow or convert newsprint capacity into coated and specialty papers and lightweight containerboard, which generally offer better demand characteristics and margins compared to other, more commodity-like paper grades. In this regard, in the second quarter of 2010, we converted our Coosa Pines newsprint mill to produce lightweight containerboard and other packaging grades. We continue to evaluate additional opportunities to convert some of our production capacity from less attractive grades to more attractive ones.

As we continue to focus on reducing SG&A expenses, we are also exploring a variety of capital investment opportunities, similar to the recent conversion of newsprint capacity at Coosa Pines. We believe such projects will further improve our cost position and improve the cost competitiveness of our assets.

Finally, in our newsprint segment, we intend to focus more on the export market, which currently exhibits better demand characteristics. Although North American newsprint demand has declined and is expected to continue to decline, world newsprint demand is expected to increase over the next several years, particularly in Asia, Latin America and the Middle East. We will continue to focus on targeting the growth of these markets.

Business and Financial Review

Overview

Through our subsidiaries, we manufacture newsprint, coated and specialty papers, market pulp and wood products. We operate pulp and paper manufacturing facilities in Canada, the United States and South Korea, as well as wood products manufacturing facilities and hydroelectric facilities in Canada.

As discussed further below, the newsprint industry experienced a slight decrease in North American demand in the first six months of 2010 compared to the same period of 2009; however, the newsprint market was much improved compared to the same period of 2009 when North American demand declined 30.5% compared to the same period of 2008. North American demand for coated mechanical papers improved in the first six months of 2010 compared to the same period of 2009. The specialty papers industry experienced an increase in North American demand in the first six months of 2010 compared to the same period of 2009, particularly for supercalendered high gloss papers. Global shipments of market pulp increased slightly in the first six months of 2010 compared to the same period of 2009, despite a significant decline in China, which was offset by increases in North America and Western Europe. Our wood products segment benefited from a significant increase in pricing in the first six months of 2010 compared to the same period of 2009.

Due to the Creditor Protection Proceedings and the significant uncertainties associated with such proceedings, our past operating results and financial condition are not likely to be indicative of our future operating results and financial condition.

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Consolidated Results of Operations

(Unaudited, in millions, except per share amounts)	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Sales	\$ 1,182	\$ 1,036	\$ 146	\$ 2,282	\$ 2,149	\$ 133
Operating loss	(73)	(285)	212	(183)	(299)	116
Net loss attributable to AbitibiBowater Inc.	(297)	(510)	213	(797)	(728)	(69)
Net loss per share attributable to AbitibiBowater Inc. – basic and diluted	(5.15)	(8.84)	3.69	(13.83)	(12.62)	(1.21)
Significant items that favorably (unfavorably) impacted operating loss:						
Product pricing			\$ 67			\$ (64)
Shipments			79			197
Change in sales			146			133
Change in cost of sales and depreciation, amortization and cost of timber harvested			(144)			(237)
Change in distribution costs			(22)			(44)
Change in selling and administrative expenses			(8)			42
Change in closure costs, impairment and other related charges			237			262
Change in net gain on disposition of assets			3			(40)
			\$ 212			\$ 116

Three months ended June 30, 2010 versus June 30, 2009

Sales

Sales increased \$146 million, or 14.1%, from \$1,036 million in the second quarter of 2009 to \$1,182 million in the second quarter of 2010. The increase was primarily due to significantly higher transaction prices for market pulp and wood products, as well as higher shipments for coated papers, specialty papers and wood products, partially offset by lower transaction prices for specialty papers. The impact of each of these items is discussed further below under "Segment Results of Operations."

Operating loss

Operating loss improved \$212 million from \$285 million in the second quarter of 2009 to \$73 million in the second quarter of 2010. The above table analyzes the major items that improved operating loss. A brief explanation of these major items follows.

Manufacturing costs increased \$144 million in the second quarter of 2010 compared to the second quarter of 2009, primarily due to a significantly unfavorable currency exchange (\$68 million, primarily due to the Canadian dollar), benefits from the alternative fuel mixture tax credits of \$85 million in the second quarter of 2009 (the fuel tax credit program expired at the end of 2009), higher volumes (\$59 million) and higher costs for maintenance (\$19 million). These higher costs were partially offset by lower costs for wood and fiber (\$7 million), energy (\$10 million), chemicals (\$7 million), labor and benefits (\$7 million), depreciation (\$23 million) and other favorable cost variances. For additional information regarding the alternative fuel mixture tax credits, reference is made to Note 17, "Alternative Fuel Mixture Tax Credits," to our Unaudited Interim Consolidated Financial Statements. Distribution costs increased \$22 million in the second quarter of 2010 compared to the second quarter of 2009, due to significantly higher shipment volumes and higher distribution costs per ton.

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Selling and administrative costs increased \$8 million in the second quarter of 2010 compared to the second quarter of 2009, primarily due to a \$16 million reversal in the second quarter of 2009 of previously recorded Canadian capital tax liabilities as a result of legislation enacted which eliminated this tax, partially offset by our continued cost reduction initiatives, as well as costs incurred in the second quarter of 2009 related to our unsuccessful refinancing efforts.

In the second quarter of 2010 and 2009, we recorded \$3 million and \$240 million, respectively, in closure costs, impairment and other related charges, which were not associated with our work towards a comprehensive restructuring plan. In the second quarter of 2010 and 2009, we realized \$4 million and \$1 million, respectively, in net gains on disposition of assets, which were not associated with our work towards a comprehensive restructuring plan. For additional information, see "Segment Results of Operations – Corporate and Other" below.

Net loss attributable to AbitibiBowater Inc.

Net loss attributable to AbitibiBowater Inc. in the second quarter of 2010 was \$297 million, or \$5.15 per common share, an improvement of \$213 million, or \$3.69 per common share, compared to \$510 million, or \$8.84 per common share, in the same period of 2009. The improvement was primarily due to the improvement in operating loss, as discussed above, as well as an increase in other income, net, partially offset by an increase in reorganization items, net, both as discussed below.

Six months ended June 30, 2010 versus June 30, 2009

Sales

Sales increased \$133 million, or 6.2%, from \$2,149 million in the first six months of 2009 to \$2,282 million in the same period of 2010. The increase was primarily due to higher shipments for all of our product lines as markets began improving in recent quarters, as well as significantly higher transaction prices for market pulp and wood products, partially offset by significantly lower transaction prices in our paper grades (newsprint, coated papers and specialty papers) as pricing in these grades experienced a precipitous decline in 2009, which continued into the first quarter of 2010. The impact of each of these items is discussed further below under "Segment Results of Operations."

Operating loss

Operating loss improved \$116 million from \$299 million in the first six months of 2009 to \$183 million in the same period of 2010. The above table analyzes the major items that improved operating loss. A brief explanation of these major items follows.

Manufacturing costs increased \$237 million in the first six months of 2010 compared to the same period of 2009, primarily due to a significantly unfavorable currency exchange (\$189 million, primarily due to the Canadian dollar), benefits from the alternative fuel mixture tax credits of \$118 million in the first six months of 2009 (the fuel tax credit program expired at the end of 2009), higher volumes (\$118 million) and higher costs for maintenance (\$28 million). These higher costs were partially offset by lower costs for wood and fiber (\$20 million), energy (\$32 million), fuel (\$7 million), chemicals (\$20 million), labor and benefits (\$25 million), depreciation (\$57 million) and other favorable cost variances. For additional information regarding the alternative fuel mixture tax credits, reference is made to Note 17, "Alternative Fuel Mixture Tax Credits," to our Unaudited Interim Consolidated Financial Statements.

Distribution costs increased \$44 million in the first six months of 2010 compared to the same period of 2009, due to significantly higher shipment volumes and higher distribution costs per ton.

Selling and administrative costs decreased \$42 million in the first six months of 2010 compared to the same period of 2009, primarily due to our continued cost reduction initiatives and the reversal of a \$17 million bonus accrual in the first quarter of 2010, as well as costs incurred in the first six months of 2009 related to our unsuccessful financing efforts. These decreases were partially offset by a \$16 million reversal in the second quarter of 2009 of previously recorded Canadian capital tax liabilities as a result of legislation enacted which eliminated this tax.

In the first six months of 2010 and 2009, we recorded \$8 million and \$270 million, respectively, in closure costs, impairment and other related charges, which were not associated with our work towards a comprehensive restructuring plan. In the first six months of 2010 and 2009, we realized \$13 million and \$53 million, respectively, in net gains on disposition of assets, which were not associated with our work towards a comprehensive restructuring plan. For additional information, see "Segment Results of Operations – Corporate and Other" below.

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Net loss attributable to AbitibiBowater Inc.

Net loss attributable to AbitibiBowater Inc. in the first six months of 2010 was \$797 million, or \$13.83 per common share, an increase of \$69 million, or \$1.21 per common share, compared to \$728 million, or \$12.62 per common share, in the same period of 2009. The increase was primarily due to the increase in reorganization items, net, as discussed below, partially offset by the improvement in operating loss, as discussed above, as well as an increase in other income, net, as discussed below.

Non-operating items – three and six months ended June 30, 2010 versus June 30, 2009

Interest expense

Interest expense decreased \$14 million from \$143 million in the second quarter of 2009 to \$129 million in the second quarter of 2010. Interest expense decreased \$17 million from \$335 million in the first six months of 2009 to \$318 million in the same period of 2010. Pursuant to the Creditor Protection Proceedings, we ceased recording interest expense on certain pre-petition debt obligations. In accordance with FASB ASC 852, we have continued to record interest expense on our pre-petition debt obligations only to the extent that: (i) interest will be paid during the Creditor Protection Proceedings or (ii) it is probable that interest will be an allowed priority, secured or unsecured claim. As such, we have continued to accrue interest only on the Debtors' pre-petition secured debt obligations and the CCAA filers' pre-petition unsecured debt obligations (based on the expectation that accrued interest on the CCAA filers' pre-petition debt obligations will be a permitted claim under the CCAA Proceedings). Interest expense in the first six months of 2010 included a first quarter cumulative adjustment of \$43 million to adjust the accrued interest on the unsecured U.S. dollar denominated debt obligations of the CCAA filers, as further discussed in Note 12, "Liquidity and Debt – Overview," to our Unaudited Interim Consolidated Financial Statements.

Other income (expense), net

Other income, net in the second quarter and first six months of 2010 was \$41 million and \$38 million, respectively, and was primarily comprised of foreign currency exchange gains, primarily due to a stronger U.S. dollar versus the Canadian dollar. Other expense, net in the second quarter of 2009 was \$30 million, primarily comprised of fees of \$12 million for a waiver and amendment to the Abitibi and Donohue accounts receivable securitization program, as well as foreign currency exchange losses of \$10 million, primarily due to a stronger Canadian dollar versus the U.S. dollar. Other expense, net in the first six months of 2009 was \$31 million, primarily comprised of fees of \$23 million for waivers and amendments to the Abitibi and Donohue accounts receivable securitization program, as well as a loss on the sale of ownership interests in accounts receivable of \$7 million.

Reorganization items, net

We have incurred significant costs associated with our Creditor Protection Proceedings and will continue to incur significant costs, which could adversely affect our results of operations and financial condition. In the second quarter and first six months of 2010, pursuant to FASB ASC 852, we recorded reorganization items, net of \$148 million and \$353 million, respectively, for certain expenses, provisions for losses, gains on disposition of assets and other charges directly associated with or resulting from the reorganization and restructuring of the business that have been realized or incurred in the Creditor Protection Proceedings. Reorganization items, net for the second quarter and first six months of 2009 were \$89 million and \$99 million, respectively. For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net," to our Unaudited Interim Consolidated Financial Statements.

Income taxes

Our effective tax rate in the second quarter of 2010 and 2009 was 3% and 6%, respectively, and in the first six months of 2010 and 2009 was 1% and 5%, respectively, resulting from the recording of a tax benefit on a pre-tax loss in all periods presented. During the second quarter of 2010 and 2009, income tax benefits of approximately \$139 million and \$75 million, respectively, and during the first six months of 2010 and 2009, income tax benefits of approximately \$211 million and \$146 million, respectively, generated on the majority of our losses in all periods presented were entirely offset by tax charges to increase our valuation allowance related to these tax benefits. Additionally, any income tax benefit recorded on any future losses will probably be offset by additional increases to the valuation allowance (tax charge). During the three and six months ended June 30, 2009, we recorded a tax recovery of approximately \$41 million and \$49 million, respectively,

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related to the asset impairment charges recorded associated with our assets held for sale for our investment in Manicouagan Power Company ("MPCo"). For additional information, see Note 4, "Closure Costs, Impairment and Other Related Charges," to our Unaudited Interim Consolidated Financial Statements. Our effective tax rate varies frequently and substantially from the weighted-average effect of both domestic and foreign statutory tax rates, primarily as a result of the tax treatment on foreign currency gains and losses. We have a number of foreign subsidiaries whose unconsolidated foreign currency gains and losses are taxed in the local country. Upon consolidation, such gains and losses are eliminated, but we are still liable for the local country taxes. Due to the variability and volatility of foreign exchange rates, we are unable to estimate the impact of future changes in exchange rates on our effective tax rate. Additionally, we will probably not be recording income tax benefits on the majority of any 2010 losses, which will have an adverse impact on our overall effective income tax rate in future periods. To the extent that our operations on which a full valuation allowance has been recorded become profitable, the impact of this valuation allowance would lessen or reverse and positively impact our effective tax rate in those periods.

Segment Results of Operations

We manage our business based on the products that we manufacture and sell to external customers. Our reportable segments, which correspond to our primary product lines, are newsprint, coated papers, specialty papers, market pulp and wood products. None of the income or loss items following "Operating loss" in our Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management. For the same reason, closure costs, impairment and other related charges, employee termination costs, net gain on disposition of assets and other discretionary charges or credits are not allocated to our segments. Also excluded from our segment results are corporate and other items, which include timber sales and general and administrative expenses, including costs associated with our unsuccessful refinancing efforts. These items are analyzed separately from our segment results. Share-based compensation expense and depreciation expense are, however, allocated to our segments. For additional information regarding our segments, see Note 16, "Segment Information," to our Unaudited Interim Consolidated Financial Statements.

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Newsprint

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Average price (per metric ton)	\$ 597	\$ 581	\$ 16	\$ 570	\$ 630	\$ (60)
Average cost (per metric ton)	\$ 661	\$ 688	\$ (27)	\$ 668	\$ 672	\$ (4)
Shipments (thousands of metric tons)	763	759	4	1,558	1,484	74
Downtime (thousands of metric tons)	306	367	(61)	520	742	(222)
Inventory at end of period (thousands of metric tons)	90	187	(97)	90	187	(97)

(Unaudited, in millions)

Segment sales	\$ 456	\$ 441	\$ 15	\$ 889	\$ 935	\$ (46)
Segment operating loss	(49)	(81)	32	(151)	(62)	(89)
Significant items that favorably (unfavorably) impacted segment operating loss:						
Product pricing			\$ 11			\$ (88)
Shipments			4			42
Change in sales			15			(46)
Change in cost of sales and depreciation, amortization and cost of timber harvested			35			(21)
Change in distribution costs			(11)			(22)
Change in selling and administrative expenses			(7)			
			\$ 32			\$ (89)

Three months ended June 30, 2010 versus June 30, 2009

Segment sales increased \$15 million, or 3.4%, from \$441 million in the second quarter of 2009 to \$456 million in the second quarter of 2010 due to slightly higher transaction prices and shipment volumes. Shipments in the second quarter of 2010 increased 4,000 metric tons, or 0.5%, compared to the second quarter of 2009.

In the second quarter of 2010, downtime at our facilities was primarily market related. Inventory levels as of June 30, 2010 were 90,000 metric tons compared to 187,000 metric tons as of June 30, 2009.

Segment operating loss decreased \$32 million to \$49 million in the second quarter of 2010 compared to \$81 million in the second quarter of 2009, primarily due to lower manufacturing costs, as well as increased sales as discussed above, partially offset by higher distribution costs. The above table analyzes the major items that decreased operating loss. A brief explanation of these major items follows.

Segment manufacturing costs decreased \$35 million in the second quarter of 2010 compared to the second quarter of 2009, primarily due to lower volumes (\$10 million), lower costs for wood and fiber (\$7 million), energy (\$12 million), labor and benefits (\$16 million), depreciation (\$12 million) and other favorable cost variances, partially offset by an unfavorable currency exchange (\$28 million, primarily due to the Canadian dollar), as well as benefits from the alternative fuel mixture tax credits of \$4 million in the second quarter of 2009.

Segment distribution costs increased in the second quarter of 2010 compared to the second quarter of 2009 due to higher distribution costs per ton and higher shipment volumes.

Six months ended June 30, 2010 versus June 30, 2009

Segment sales decreased \$46 million, or 4.9%, from \$935 million in the first six months of 2009 to \$889 million in the same period of 2010, primarily due to lower transaction prices, partially offset by higher shipment volumes. Shipments in the first six months of 2010 increased 74,000 metric tons, or 5.0%, compared to the same period of 2009. Our average

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transaction price in the first six months of 2010 was lower than the same period of 2009 as a result of the precipitous decline in newsprint prices that began in 2009 due to market conditions, which continued into the first quarter of 2010.

In the first six months of 2010, downtime at our facilities was primarily market related.

Segment operating loss increased \$89 million to \$151 million in the first six months of 2010 compared to \$62 million in the first six months of 2009, due to decreased sales as discussed above, as well as higher manufacturing and distribution costs. The above table analyzes the major items that increased operating loss. A brief explanation of these major items follows.

Segment manufacturing costs increased \$21 million in the first six months of 2010 compared to the same period of 2009, primarily due to an unfavorable currency exchange (\$73 million, primarily due to the Canadian dollar) and higher volumes (\$30 million), as well as benefits from the alternative fuel mixture tax credits of \$6 million in the first six months of 2009, partially offset by lower costs for wood and fiber (\$11 million), energy (\$25 million), fuel (\$4 million), labor and benefits (\$26 million), depreciation (\$12 million) and other favorable cost variances.

Segment distribution costs increased in the first six months of 2010 compared to the same period of 2009 due to higher distribution costs per ton and higher shipment volumes.

Newsprint Third-Party Data: In the first six months of 2010, North American newsprint demand declined 1.6% compared to the same period of 2009 and for the month of June 2010, declined 2.4% compared to the month of June 2009. In the first six months of 2010, North American net exports of newsprint were 61.5% higher than the same period of 2009. Inventories for North American mills as of June 30, 2010 were 229,000 metric tons, which is 50.6% lower than as of June 30, 2009. The days of supply at the U.S. daily newspapers was 48 days as of June 30, 2010 compared to 53 days as of June 30, 2009. The North American operating rate for newsprint was 91% in the first six months of 2010 compared to 67% in the same period of 2009.

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Coated Papers

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Average price (per short ton)	\$ 685	\$ 729	\$ (44)	\$ 677	\$ 759	\$ (82)
Average cost (per short ton)	\$ 655	\$ 524	\$ 131	\$ 672	\$ 579	\$ 93
Shipments (thousands of short tons)	166	129	37	325	274	51
Downtime (thousands of short tons)	7	49	(42)	10	85	(75)
Inventory at end of period (thousands of short tons)	20	30	(10)	20	30	(10)

(Unaudited, in millions)

Segment sales	\$ 114	\$ 94	\$ 20	\$ 220	\$ 208	\$ 12
Segment operating income	5	27	(22)	1	50	(49)
Significant items that (unfavorably) favorably impacted segment operating income:						
Product pricing			\$ (6)			\$ (23)
Shipments			26			35
Change in sales			20			12
Change in cost of sales and depreciation, amortization and cost of timber harvested			(40)			(57)
Change in distribution costs			(2)			(4)
			\$ (22)			\$ (49)

Three months ended June 30, 2010 versus June 30, 2009

Segment sales increased \$20 million, or 21.3%, from \$94 million in the second quarter of 2009 to \$114 million in the second quarter of 2010 due to significantly higher shipments, partially offset by lower transaction prices.

Segment operating income decreased \$22 million to \$5 million in the second quarter of 2010 compared to \$27 million in the second quarter of 2009, primarily due to higher manufacturing costs, partially offset by increased sales as discussed above. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows.

Segment manufacturing costs increased \$40 million in the second quarter of 2010 compared to the second quarter of 2009, primarily due to benefits from the alternative fuel mixture tax credits of \$17 million in the second quarter of 2009, higher volumes (\$8 million) and higher costs for wood and fiber (\$3 million), chemicals (\$3 million), labor and benefits (\$4 million), maintenance (\$3 million) and other unfavorable cost variances. The average cost per ton increased \$131 in the second quarter of 2010 compared to the second quarter of 2009, primarily due to benefits from the alternative fuel mixture tax credits in 2009.

Six months ended June 30, 2010 versus June 30, 2009

Segment sales increased \$12 million, or 5.8%, from \$208 million in the first six months of 2009 to \$220 million in the same period of 2010 due to higher shipments, partially offset by lower transaction prices.

Segment operating income decreased \$49 million to \$1 million in the first six months of 2010 compared to \$50 million in the same period of 2009, primarily due to higher manufacturing costs, partially offset by increased sales as discussed above. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows.

Segment manufacturing costs increased \$57 million in the first six months of 2010 compared to the same period of 2009, primarily due to benefits from the alternative fuel mixture tax credits of \$27 million in the first six months of 2009, higher

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volumes (\$13 million) and higher costs for wood and fiber (\$7 million), chemicals (\$4 million), labor and benefits (\$3 million) and maintenance (\$5 million), partially offset by other cost variances that were favorable. The average cost per ton increased \$93 in the first six months of 2010 compared to the same period of 2009, primarily due to benefits from the alternative fuel mixture tax credits in 2009.

Coated Papers Third-Party Data: North American demand for coated mechanical papers increased 7.7% in the first six months of 2010 compared to the same period of 2009. The North American operating rate for coated mechanical papers was 86% in the first six months of 2010 compared to 69% in the same period of 2009. North American coated mechanical mill inventories were at 14 days of supply as of June 30, 2010 compared to 33 days of supply as of June 30, 2009.

Specialty Papers

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Average price (per short ton)	\$ 675	\$ 746	\$ (71)	\$ 680	\$ 786	\$ (106)
Average cost (per short ton)	\$ 727	\$ 697	\$ 30	\$ 716	\$ 715	\$ 1
Shipments (thousands of short tons)	488	440	48	924	856	68
Downtime (thousands of short tons)	76	141	(65)	80	250	(170)
Inventory at end of period (thousands of short tons)	79	126	(47)	79	126	(47)

(Unaudited, in millions)

Segment sales	\$ 329	\$ 328	\$ 1	\$ 628	\$ 673	\$ (45)
Segment operating (loss) income	(25)	21	(46)	(33)	61	(94)

Significant items that (unfavorably) favorably impacted segment

operating (loss) income:						
Product pricing			\$ (31)			\$ (91)
Shipments			32			46

Change in sales			1			(45)
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			(43)			(50)
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Change in distribution costs			(3)			(2)
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Change in selling and administrative expenses			(1)			3
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	\$ (46)		\$ (94)
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Three months ended June 30, 2010 versus June 30, 2009

Segment sales increased \$1 million, or 0.3%, from \$328 million in the second quarter of 2009 to \$329 million in the second quarter of 2010, primarily due to higher shipment volumes, offset by lower average transaction prices.

Inventory levels as of June 30, 2010 were 79,000 short tons compared to 126,000 short tons as of June 30, 2009.

Segment operating income decreased \$46 million to an operating loss of \$25 million in the second quarter of 2010 compared to \$21 million of operating income in the second quarter of 2009, primarily due to higher manufacturing costs. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows.

Segment manufacturing costs increased \$43 million in the second quarter of 2010 compared to the second quarter of 2009, primarily due to an unfavorable Canadian dollar currency exchange (\$25 million), benefits from the alternative fuel mixture tax credits of \$8 million in the second quarter of 2009, higher volumes (\$11 million) and higher costs for wood and fiber (\$4 million) and energy (\$4 million). These higher costs were partially offset by lower costs for depreciation (\$5 million) and chemicals (\$4 million).

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Six months ended June 30, 2010 versus June 30, 2009

Segment sales decreased \$45 million, or 6.7%, from \$673 million in the first six months of 2009 to \$628 million in the same period of 2010, primarily due to lower average transaction prices, partially offset by higher shipment volumes.

Segment operating income decreased \$94 million to an operating loss of \$33 million in the first six months of 2010 compared to \$61 million of operating income in the same period of 2009, primarily due to decreased sales as discussed above, as well as higher manufacturing costs. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows.

Segment manufacturing costs increased \$50 million in the first six months of 2010 compared to the same period of 2009, primarily due to an unfavorable Canadian dollar currency exchange (\$59 million), as well as benefits from the alternative fuel mixture tax credits of \$13 million in the first six months of 2009, higher volumes (\$7 million) and higher costs for wood and fiber (\$2 million) and maintenance (\$3 million). These higher costs were partially offset by lower costs for depreciation (\$7 million), labor and benefits (\$7 million), chemicals (\$11 million), fuel (\$2 million) and other favorable cost variances. *Specialty Papers Third-Party Data:* In the first six months of 2010 compared to the same period in 2009, North American demand for supercalendered high gloss papers was up 10.0%, for lightweight or directory grades was down 4.8%, for standard uncoated mechanical papers was up 3.2% and in total for all specialty papers was up 4.9%. The North American operating rate for all specialty papers was 86% in the first six months of 2010 compared to 72% in the same period of 2009. North American uncoated mechanical mill inventories were at 15 days of supply as of June 30, 2010 compared to 22 days of supply as of June 30, 2009.

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Market Pulp

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Average price (per metric ton)	\$ 767	\$ 498	\$ 269	\$ 720	\$ 515	\$ 205
Average cost (per metric ton)	\$ 659	\$ 335	\$ 324	\$ 639	\$ 450	\$ 189
Shipments (thousands of metric tons)	225	234	(9)	466	425	41
Downtime (thousands of metric tons)	31	25	6	45	104	(59)
Inventory at end of period (thousands of metric tons)	47	90	(43)	47	90	(43)

(Unaudited, in millions)

Segment sales	\$ 172	\$ 117	\$ 55	\$ 335	\$ 219	\$ 116
Segment operating income	24	38	(14)	37	27	10
Significant items that favorably (unfavorably) impacted segment operating income:						
Product pricing			\$ 60			\$ 87
Shipments			(5)			29
Change in sales			55			116
Change in cost of sales and depreciation, amortization and cost of timber harvested			(68)			(99)
Change in distribution costs			(1)			(6)
Change in selling and administrative expenses			—			(1)
			\$ (14)			\$ 10

Three months ended June 30, 2010 versus June 30, 2009

Segment sales increased \$55 million, or 47.0%, from \$117 million in the second quarter of 2009 to \$172 million in the second quarter of 2010, primarily due to significantly higher transaction prices, partially offset by slightly lower shipment volumes. Inventory levels as of June 30, 2010 were 47,000 metric tons compared to 90,000 metric tons as of June 30, 2009. Segment operating income decreased \$14 million to \$24 million in the second quarter of 2010 compared to \$38 million in the second quarter of 2009, primarily due to higher manufacturing costs, partially offset by increased sales as discussed above. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows. Segment manufacturing costs increased \$68 million in the second quarter of 2010 compared to the second quarter of 2009, primarily due to benefits from the alternative fuel mixture tax credits of \$56 million in the second quarter of 2009, an unfavorable Canadian dollar currency exchange (\$8 million) and higher costs for maintenance (\$15 million). These higher costs were partially offset by lower volumes (\$6 million) and lower costs for chemicals (\$5 million). The average cost per ton increased \$324 in the second quarter of 2010 compared to the second quarter of 2009, primarily due to benefits from the alternative fuel mixture tax credits in 2009.

Six months ended June 30, 2010 versus June 30, 2009

Segment sales increased \$116 million, or 53.0%, from \$219 million in the first six months of 2009 to \$335 million in the same period of 2010, primarily due to significantly higher transaction prices and higher shipment volumes. Segment operating income increased \$10 million to \$37 million in the first six months of 2010 compared to \$27 million in the same period of 2009, primarily due to increased sales as discussed above, partially offset by higher manufacturing costs.

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The above table analyzes the major items that increased operating income. A brief explanation of these major items follows.

Segment manufacturing costs increased \$99 million in the first six months of 2010 compared to the same period of 2009, primarily due to benefits from the alternative fuel mixture tax credits of \$72 million in the first six months of 2009, an unfavorable Canadian dollar currency exchange (\$20 million), higher volumes (\$10 million) and higher costs for maintenance (\$18 million). These higher costs were partially offset by lower costs for wood and fiber (\$2 million), energy (\$4 million), chemicals (\$11 million) and other favorable cost variances. The average cost per ton increased \$189 in the first six months of 2010 compared to the same period of 2009, primarily due to benefits from the alternative fuel mixture tax credits in 2009.

Market Pulp Third-Party Data: World shipments for market pulp increased 1.0% in the first six months of 2010 compared to the same period of 2009. Shipments were up 11.4% in Western Europe (the world's largest pulp market), up 12.1% in North America, down 28.9% in China, up 18.4% in Latin America and down 2.7% in Africa and Asia (excluding China and Japan). World market pulp producers shipped at 93% of capacity in the first six months of 2010 compared to 89% in the same period of 2009. World market pulp producer inventories were at 25 days of supply as of June 30, 2010 compared to 29 days of supply as of June 30, 2009.

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Wood Products

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Average price (per thousand board feet)	\$ 329	\$ 205	\$ 124	\$ 315	\$ 207	\$ 108
Average cost (per thousand board feet)	\$ 319	\$ 278	\$ 41	\$ 307	\$ 297	\$ 10
Shipments (millions of board feet)	334	270	64	665	524	141
Downtime (millions of board feet)	331	502	(171)	645	973	(328)
Inventory at end of period (millions of board feet)	115	79	36	115	79	36

(Unaudited, in millions)

Segment sales	\$ 111	\$ 56	\$ 55	\$ 210	\$ 109	\$ 101
Segment operating income (loss)	3	(20)	23	5	(47)	52
Significant items that favorably (unfavorably) impacted segment operating income (loss):						
Product pricing			\$ 33			\$ 56
Shipments			22			45
Change in sales			55			101
Change in cost of sales and depreciation, amortization and cost of timber harvested			(28)			(41)
Change in distribution costs			(4)			(9)
Change in selling and administrative expenses			—			1
			\$ 23			\$ 52

Three months ended June 30, 2010 versus June 30, 2009

Segment sales increased \$55 million, or 98.2%, from \$56 million in the second quarter of 2009 to \$111 million in the second quarter of 2010, due to significantly higher transaction prices and shipment volumes.

In the second quarter of 2010, downtime at our facilities was market related.

Segment operating loss improved \$23 million to operating income of \$3 million in the second quarter of 2010 compared to a \$20 million operating loss in the second quarter of 2009. The above table analyzes the major items that improved operating loss. A brief explanation of these major items follows.

The significant increase in sales in the second quarter of 2010 was partially offset by higher manufacturing and distribution costs in the second quarter of 2010 compared to the same period of 2009. The increase in manufacturing costs was primarily due to an unfavorable Canadian dollar currency exchange (\$8 million) and higher volumes (\$55 million), partially offset by lower costs for labor and benefits (\$3 million), wood (\$7 million), energy (\$1 million), depreciation (\$2 million) and other favorable cost variances.

Six months ended June 30, 2010 versus June 30, 2009

Segment sales increased \$101 million, or 92.7%, from \$109 million in the first six months of 2009 to \$210 million in the same period of 2010, primarily due to significantly higher transaction prices and shipment volumes.

In the first six months of 2010, downtime at our facilities was market related.

Segment operating loss improved \$52 million to operating income of \$5 million in the first six months of 2010 compared to a \$47 million operating loss in the same period of 2009. The above table analyzes the major items that improved operating loss. A brief explanation of these major items follows.

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The significant increase in sales in the first six months of 2010 was partially offset by higher manufacturing and distribution costs in the first six months of 2010 compared to the same period of 2009. The increase in manufacturing costs was primarily due to an unfavorable Canadian dollar currency exchange (\$38 million) and higher volumes (\$57 million), partially offset by lower costs for labor and benefits (\$6 million), wood (\$16 million), energy (\$3 million) and other favorable cost variances.

Wood Products Third-Party Data: Privately-owned housing starts in the U.S. decreased 5.8% to a seasonally-adjusted annual rate of 549,000 units in June 2010, compared to 583,000 units in June 2009.

Corporate and Other

The following table is included in order to facilitate the reconciliation of our segment sales and segment operating income (loss) to our total sales and operating loss in our Consolidated Statements of Operations.

(Unaudited, in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Sales	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ (5)
Operating loss	(31)	(270)	239	(42)	(328)	286
Sales	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ (5)
Cost of sales and depreciation, amortization and cost of timber harvested	(24)	(24)	—	(20)	(51)	31
Distribution costs	(1)	—	(1)	(1)	—	(1)
Selling and administrative expenses	(7)	(7)	—	(26)	(65)	39
Closure costs, impairment and other related charges	(3)	(240)	237	(8)	(270)	262
Net gain on disposition of assets	4	1	3	13	53	(40)
Operating loss	\$ (31)	\$ (270)	\$ 239	\$ (42)	\$ (328)	\$ 286

Cost of sales and depreciation, amortization and cost of timber harvested

Manufacturing costs included in corporate and other primarily included the cost of timberlands and for the second quarter and first six months of 2009 also included \$12 million in both periods for the writedown of inventory associated with our Alabama River, Alabama and Dalhousie, New Brunswick mills.

Selling and administrative expenses

The decrease in selling and administrative expenses in the first six months of 2010 compared to the same period of 2009 was primarily due to our continued cost reduction initiatives and the reversal of a \$17 million bonus accrual in the first quarter of 2010, as well as costs of \$10 million incurred in the first six months of 2009 related to our unsuccessful refinancing efforts. These decreases were partially offset by a \$16 million reversal in the second quarter of 2009 of previously recorded Canadian capital tax liabilities as a result of legislation enacted which eliminated this tax.

Closure costs, impairment and other related charges

In the second quarter and first six months of 2010, we recorded \$3 million and \$8 million, respectively, of closure costs, impairment and other related charges, which were not associated with our work towards a comprehensive restructuring plan, primarily for impairment of long-lived assets related to our previously permanently closed Covington, Tennessee facility, as well as costs for a lawsuit related to a closed mill and other miscellaneous adjustments to severance liabilities and asset retirement obligations. In the second quarter and first six months of 2009, we recorded \$240 million and \$270

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million, respectively, of closure costs, impairment and other related charges, which were not associated with our work towards a comprehensive restructuring plan, primarily for long-lived asset impairment charges related to: (i) assets held for sale for our interest in MPCo and (ii) certain of our newsprint mill assets.

For additional information, see Note 4, "Closure Costs, Impairment and Other Related Charges," to our Unaudited Interim Consolidated Financial Statements.

Net gain on disposition of assets

During the second quarter and first six months of 2010, we recorded a net gain on disposition of assets of \$4 million and \$13 million, respectively, primarily related to the sale, with Court or Monitor approval, as applicable, of various assets, which were not associated with our work towards a comprehensive restructuring plan. During the second quarter and first six months of 2009, we recorded a net gain on disposition of assets of \$1 million and \$53 million, respectively, primarily related to the sale of timberlands and other assets.

For additional information, see Note 5, "Assets Held for Sale, Liabilities Associated with Assets Held for Sale and Net Gain on Disposition of Assets," to our Unaudited Interim Consolidated Financial Statements.

Liquidity and Capital Resources

Overview

In addition to cash-on-hand and cash provided by operations, our external sources of liquidity are comprised of the following (which are defined and discussed below): (i) the Bowater DIP Agreement, (ii) the ULC DIP Facility and (iii) the Abitibi and Donohue accounts receivable securitization program. The commencement of the Creditor Protection Proceedings constituted an event of default under substantially all of our pre-petition debt obligations, and those debt obligations became automatically and immediately due and payable by their terms, although any action to enforce such payment obligations is stayed as a result of the commencement of the Creditor Protection Proceedings.

Non-core asset sales have been and may continue to be a source of additional liquidity. We expect to continue to review non-core assets and seek to divest those that no longer fit within our long-term strategic business plan. It is unclear how current global credit conditions may impact our ability to sell any of these assets. In addition, for the duration of the Creditor Protection Proceedings, any divestiture not subject to certain *de minimis* asset sale thresholds under the Creditor Protection Proceedings must be approved by the applicable Court or the Monitor, as applicable. No assurances can be provided that such approvals will be obtained or as to the timing of any such approvals. Proceeds generated as a result of any divestiture: (i) may be deposited in trust with the Monitor and require Court approval to release the proceeds or (ii) may have to be used to repay amounts outstanding pursuant to the terms of our debtor in possession financing arrangements or pre-petition secured indebtedness. During the six months ended June 30, 2010, we sold, with Court or Monitor approval, as applicable, various mills and other assets for proceeds of \$62 million, including our Mackenzie paper mill and sawmills and four previously permanently closed paper mills that were bundled and sold together.

During the first six months of 2010, we incurred significant costs associated with our Creditor Protection Proceedings and will continue to incur similar significant costs, which have and will continue to adversely affect our liquidity, results of operations and financial condition. In the three and six months ended June 30, 2010, we paid \$28 million and \$47 million, respectively, relating to reorganization items. For additional information, see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net," to our Unaudited Interim Consolidated Financial Statements. Partially offsetting these increased payments were lower cash payments for interest. We are currently making cash payments for interest on the Bowater DIP Agreement (as defined below), the Abitibi and Donohue accounts receivable securitization program, the Bowater pre-petition secured bank credit facilities, Abitibi's pre-petition senior secured term loan and Bowater's floating rate industrial revenue bonds due 2029. As a result, cash payments for interest were \$40 million and \$64 million in the three and six months ended June 30, 2010, respectively, compared to \$49 million and \$164 million, respectively, in the same periods of 2009. Additionally, in the third quarter of 2009, we announced that we would continue to work on SG&A austerity measures with a target reduction of approximately \$100 million on an annualized basis, as compared to 2008. The SG&A reduction efforts included, among other items, a 25% corporate headcount reduction and the suspension of 2009 incentive compensation plans, including equity awards.

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Abitibi and Donohue liquidity

Abitibi's and Donohue's primary sources of liquidity and capital resources are cash-on-hand, cash provided by operations, the ULC DIP Facility (defined below) and an accounts receivable securitization program. As of June 30, 2010, Abitibi and Donohue had cash and cash equivalents of approximately \$205 million and \$19 million, respectively. As of June 30, 2010, Abitibi had \$94 million of availability under its ULC DIP Facility, of which \$47 million was included in "Cash and cash equivalents" and \$47 million was included as restricted cash in "Other assets" in our Consolidated Balance Sheets. Abitibi and Donohue also had the ability to receive additional proceeds of up to \$33 million under their accounts receivable securitization program.

ULC DIP Facility

On December 9, 2009, Abitibi entered into a Cdn\$230 million (\$218 million) Super Priority Debtor-In-Possession Credit Facility (the "ULC DIP Facility") with 3239432 Nova Scotia Company, a wholly-owned subsidiary of ACCC (the "ULC"), which is an intercompany facility that was created upon the sale of MPCo and was funded by a portion of the sale proceeds. On the same date, Cdn\$130 million (\$123 million) of the ULC DIP Facility was drawn pursuant to the Canadian Court's approval. Subsequent draws of up to Cdn\$50 million (\$47 million, based on the exchange rate in effect on June 30, 2010) in the aggregate will be advanced upon not less than five business days' notice, subject to meeting certain draw down requirements and certain conditions determined by the Canadian Court, and the remaining Cdn\$50 million (\$47 million, based on the exchange rate in effect on June 30, 2010) will become available only upon further order of the Canadian Court.

The obligations of Abitibi under its ULC DIP Facility are guaranteed by certain of Abitibi's subsidiaries and secured by superpriority liens on all present and after-acquired property of Abitibi and the subsidiary guarantors, but subordinate to: (i) an administrative charge in the aggregate amount not exceeding Cdn\$6 million (\$6 million) of professional fees and disbursements in connection with the CCAA Proceedings; (ii) a directors' charge not exceeding Cdn\$22.5 million (\$21 million) and (iii) the Cdn\$140 million (\$130 million) charge granted by the Canadian Court in connection with Abitibi's former debtor in possession financing arrangement (but only to the extent of the subrogation rights of certain secured creditors of Abitibi, estimated to be in an aggregate amount of approximately Cdn\$40 million (\$38 million)). These U.S. dollar amounts reflect the exchange rate to U.S. dollars in effect on December 9, 2009.

Loans made under the ULC DIP Facility bear no interest, except in the case of an overdue payment. All loans advanced under the ULC DIP Facility are to be repaid in full and the ULC DIP Facility will terminate on the earliest of: (i) December 31, 2010, (ii) the effective date of a plan or plans of reorganization or a plan of compromise or arrangement confirmed by order of the Courts or (iii) the acceleration of the ULC DIP Facility or the occurrence of an event of default. Loans must be prepaid to the extent the ULC does not have sufficient funds to make a payment under the guarantee agreement with Alcoa Canada Ltd. ("Alcoa"), which was our partner in MPCo and continues to own a 40% interest in MPCo. As of June 30, 2010, the ULC maintained an approximate Cdn\$52 million (\$49 million) reserve for this purpose, which was included as restricted cash in "Other assets" in our Consolidated Balance Sheets.

The ULC DIP Facility contains usual and customary events of default and covenants for debtor in possession financings of this type, including, among other things, the obligation for Abitibi to provide to Alcoa and the trustee for the 13.75% senior secured notes due 2011 a weekly cash flow forecast and certain monthly financial information.

In accordance with its stated purpose, the proceeds of the loans under the ULC DIP Facility can be used by Abitibi and certain of its subsidiaries for working capital and other general corporate purposes, costs of the Creditor Protection Proceedings and fees and expenses associated with the ULC DIP Facility.

Abitibi and Donohue accounts receivable securitization program

Abitibi and ACSC, a subsidiary of Donohue, (the "Participants") participate in an accounts receivable securitization program (the "Program") whereby the Participants share among themselves the proceeds received under the Program. On June 16, 2009, with the approval of the Courts, the former accounts receivable securitization program was amended and restated in its entirety and, as further amended on June 11, 2010, with the approval of the Courts, now provides for a maximum outstanding limit of \$180 million (the "Purchase Limit") for the purchase of ownership interests in the Participants' eligible trade accounts receivable by the third-party financial institutions party to the agreement (the "Banks").

The Participants sell most of their receivables to Abitibi-Consolidated U.S. Funding Corp. ("Funding"), which is a bankruptcy-remote, special-purpose, indirect consolidated subsidiary of Donohue. On a revolving basis, Funding transfers

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to the agent for the Banks (the "Agent") undivided percentage ownership interests ("Receivable Interests") in the pool of receivables that Funding acquired from the Participants. The outstanding balance of Receivable Interests increases as new Receivable Interests are transferred to the Agent and decreases as collections reduce previously transferred Receivable Interests. The amount of Receivable Interests that can be transferred to the Agent depends on the amount and nature of the receivables available to be transferred and cannot result in the outstanding balance of Receivable Interests exceeding the Purchase Limit. The pool of receivables is collateral for the Receivable Interests transferred to the Agent. The Banks can pledge or sell their Receivable Interests, but cannot pledge or sell any receivable within the pool of receivables.

As discussed in Note 1, "Organization and Basis of Presentation – Recently adopted accounting guidance," to our Unaudited Interim Consolidated Financial Statements, effective January 1, 2010, we prospectively applied new accounting guidance relating to the transfers of financial assets. As a result, transfers of the Receivable Interests to the Agent no longer qualify as sales. Such transfers and the proceeds received from the Banks are now accounted for as secured borrowings in accordance with FASB ASC 860, "Transfers and Servicing." As of June 30, 2010, the interest rate charged by the Banks to Funding on the secured borrowings was 6.25% per annum and the commitment fee for the unused portion of the Purchase Limit was 0.75% per annum. These amounts, which totaled approximately \$3 million and \$7 million for the three and six months ended June 30, 2010, respectively, are included in "Interest expense" in our Consolidated Statements of Operations. For the three and six months ended June 30, 2009, the transfer of Receivable Interests were recorded as a sale to the Banks, and the proceeds received from the Banks were net of an amount based on the Banks' funding cost plus a margin, which resulted in a loss on the sale of ownership interests in accounts receivable of \$4 million and \$7 million, respectively, which was included in "Other expense, net" in our Consolidated Statements of Operations.

As of June 30, 2010, the balance of the pool of receivables, net of an allowance for doubtful accounts was included in "Accounts receivable, net" in our Consolidated Balance Sheets. The outstanding balance of the proceeds received from the Banks was approximately \$120 million and was recorded as "Secured borrowings" in our Consolidated Balance Sheets. In addition, based on the level and eligibility of the pool of receivables as of June 30, 2010, we could have borrowed an additional \$33 million.

Abitibi and ACSC act as servicing agents and administer the collection of the receivables under the Program. The fees received from the Banks for servicing their Receivable Interests approximate the value of services rendered.

In connection with the Program, Abitibi and ACSC maintain lockboxes into which certain collection receipts are deposited. These lockbox accounts are in Abitibi's or Funding's name, but are controlled by the Banks. The cash balances in these lockbox accounts, which totaled approximately \$17 million and \$18 million as of June 30, 2010 and December 31, 2009, respectively, were included as restricted cash in "Other current assets" in our Consolidated Balance Sheets.

The Program contains usual and customary events of termination and covenants for accounts receivable securitization programs of this type, including, among other things, the requirement for Funding to provide to the Agent financial statements and other reports and to provide to the Agent copies of any reports the Participants or their subsidiaries file with the SEC or any other U.S., Canadian or other national or provincial securities exchange.

Unless terminated earlier due to the occurrence of certain events of termination, or the substantial consummation of a plan or plans of reorganization or a plan of compromise or arrangement confirmed by order of the Courts, the Program, as further amended on June 11, 2010, will terminate on June 10, 2011. As consideration for entering into the amendment to the Program on June 11, 2010, we incurred fees of approximately \$4 million during the second quarter of 2010. These fees were recorded in "Reorganization items, net" in our Consolidated Statements of Operations for the three and six months ended June 30, 2010 (see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net," to our Unaudited Interim Consolidated Financial Statements).

Bowater liquidity

Bowater's primary sources of liquidity and capital resources are cash-on-hand, cash provided by operations and the Bowater DIP Agreement (defined below). As of June 30, 2010, Bowater had cash and cash equivalents of approximately \$484 million.

Bowater DIP Agreement

In the Creditor Protection Proceedings, we sought and obtained final approval by the Courts to enter into a debtor in

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ABITIBIBOWATER INC.

possession financing facility for the benefit of AbitibiBowater Inc., Bowater and certain of Bowater's subsidiaries. On April 21, 2009, we entered into a Senior Secured Superpriority Debtor In Possession Credit Agreement (the "Bowater DIP Agreement") among AbitibiBowater Inc., Bowater and BCFPI, as borrowers, Fairfax Financial Holdings Limited ("Fairfax"), as administrative agent, collateral agent and an initial lender, and Avenue Investments, L.P., as an initial lender. On May 8, 2009, Law Debenture Trust Company of New York replaced Fairfax as the administrative agent and collateral agent under the Bowater DIP Agreement.

The Bowater DIP Agreement provides for term loans in an aggregate principal amount of \$206 million (the "Initial Advance"), consisting of a \$166 million term loan facility to AbitibiBowater Inc. and Bowater (the "U.S. Borrowers") and a \$40 million term loan facility to BCFPI. Following the payment of fees payable to the lenders in connection with the Bowater DIP Agreement, the U.S. Borrowers and BCFPI received aggregate loan proceeds of \$196 million. The Bowater DIP Agreement also permits the U.S. Borrowers to request, subject to the approval of the requisite lenders under the Bowater DIP Agreement, an incremental term loan facility (the "Incremental Facility") and an asset based-revolving credit facility (the "ABL Facility"), provided that the aggregate principal amount of the Initial Advance and the Incremental Facility may not exceed \$360 million and the aggregate principal amount of the Initial Advance, Incremental Facility and the ABL Facility may not exceed \$600 million. In connection with an amendment we entered into on July 15, 2010, which was approved by the U.S. Court on July 14, 2010 and the Canadian Court on July 21, 2010, we prepaid \$166 million of the outstanding principal amount of the Initial Advance on July 21, 2010, which reduced the outstanding principal balance to \$40 million. As amended, the outstanding principal amount of loans under the Bowater DIP Agreement, plus accrued and unpaid interest, will be due and payable on the earliest of: (i) December 31, 2010, (ii) the effective date of a plan or plans of reorganization or (iii) the acceleration of loans and termination of the commitments (the "Maturity Date"). Borrowings under the Bowater DIP Agreement bear interest, at our election, at either a rate tied to the U.S. Federal Funds Rate (the "base rate") or the London interbank offered rate for deposits in U.S. dollars ("LIBOR"), in each case plus a specified margin. The interest margin for base rate loans was 6.50% through April 20, 2010 and effective April 21, 2010 was 7.00%, with a base rate floor of 4.50%. The interest margin for base rate loans was reduced to 5.00% effective July 15, 2010 in connection with the July 15, 2010 amendment. The interest margin for LIBOR loans was 7.50% through April 20, 2010 and effective April 21, 2010 was 8.00%, with a LIBOR floor of 3.50%. The interest margin for LIBOR loans was reduced to 6.00% with a LIBOR floor of 2.00% effective July 15, 2010 in connection with the July 15, 2010 amendment. We incurred an extension fee and an amendment fee in connection with the May 5, 2010 extension and the July 15, 2010 amendment, respectively, in each case in an amount of 0.5% of the outstanding principal balance of \$206 million, or approximately \$1 million for each. We will be required to pay a duration fee of 0.5% of the outstanding principal balance (estimated to be \$40 million), or approximately \$200,000, if the aggregate principal amount of the advances under the Bowater DIP Agreement have not been repaid in full on or prior to October 15, 2010. In addition, on the earlier of the final Maturity Date or the date that the Bowater DIP Agreement is repaid in full, an exit fee of 2.00% of the aggregate amount of the advances will be payable to the lenders.

The obligations of the U.S. Borrowers under the Bowater DIP Agreement are guaranteed by AbitibiBowater Inc., Bowater, Bowater Newsprint South LLC ("Newsprint South"), a direct, wholly-owned subsidiary of AbitibiBowater Inc., and each of the U.S. subsidiaries of Bowater and Newsprint South that are debtors in the Chapter 11 Cases (collectively, the "U.S. Guarantors") and secured by all or substantially all of the assets of each of the U.S. Borrowers and the U.S. Guarantors. The obligations of BCFPI under the Bowater DIP Agreement are guaranteed by the U.S. Borrowers and the U.S. Guarantors and each of the Bowater Canadian subsidiaries (other than BCFPI) that are debtors in the CCAA Proceedings (collectively, the "Canadian Guarantors") and secured by all or substantially all of the assets of the U.S. Borrowers, the U.S. Guarantors, BCFPI and the Canadian Guarantors. On June 24, 2009, Bowater Canadian Finance Corporation was released from its obligations under the Bowater DIP Agreement.

The Bowater DIP Agreement contains customary covenants for debtor in possession financings of this type, including, among other things: (i) requirements to deliver financial statements, other reports and notices; (ii) restrictions on the incurrence and repayment of indebtedness; (iii) restrictions on the incurrence of liens; (iv) restrictions on making certain payments; (v) restrictions on investments; (vi) restrictions on asset dispositions and (vii) restrictions on modifications to material indebtedness. Additionally, the Bowater DIP Agreement contains certain financial covenants, including, among other things: (i) maintenance of a minimum consolidated EBITDA; (ii) compliance with a minimum fixed charge coverage ratio and (iii) a maximum amount of capital expenditures.

In accordance with its stated purpose, the proceeds of the Bowater DIP Agreement can be used by us for, among other things, working capital, general corporate purposes, to pay adequate protection to holders of secured debt under Bowater's and BCFPI's pre-petition secured bank credit facilities, to pay the costs associated with administration of the Creditor

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ABITIBIBOWATER INC.

Protection Proceedings and to pay transaction costs, fees and expenses in connection with the Bowater DIP Agreement.

As consideration for the May 5, 2010 extension of the Bowater DIP Agreement to July 21, 2010, during the second quarter of 2010, we incurred fees of approximately \$1 million. These fees were recorded in "Reorganization items, net" in our Consolidated Statements of Operations for the three and six months ended June 30, 2010 (see Note 3, "Creditor Protection Proceedings Related Disclosures – Reorganization items, net," to our Unaudited Interim Consolidated Financial Statements).

Flow of funds

Summary of cash flows

A summary of cash flows for the six months ended June 30, 2010 and 2009 was as follows:

<i>(Unaudited, in millions)</i>	2010	2009
Net cash (used in) provided by operating activities	\$ (3)	\$ 63
Net cash (used in) provided by investing activities	(19)	60
Net cash (used in) provided by financing activities	(26)	164
Net (decrease) increase in cash and cash equivalents	\$ (48)	\$ 287

Cash (used in) provided by operating activities

The \$66 million decrease in cash provided by operating activities in the first six months of 2010 compared to the same period of 2009 was primarily related to an increase in accounts receivable, as well as the alternative fuel mixture tax credits in 2009, partially offset by an increase in accounts payable and accrued liabilities and a reduction in our pension contributions in 2010.

Cash (used in) provided by investing activities

The \$79 million decrease in cash provided by investing activities in the first six months of 2010 compared to the same period of 2009 was primarily due to an increase in restricted cash in 2010 and a decrease in deposit requirements for letters of credit in 2009, partially offset by reductions in cash invested in fixed assets.

Capital expenditures for both periods include compliance, maintenance and projects to increase returns on production assets. We continue to take a restricted approach to capital spending until market conditions improve and translate into positive cash flow. In light of the Creditor Protection Proceedings, any significant capital spending is subject to the approval of the applicable Court, and there can be no assurance that such approval would be granted.

Cash (used in) provided by financing activities

The \$190 million decrease in cash provided by financing activities in the first six months of 2010 compared to the same period of 2009 was primarily due to the debtor in possession financing arrangements in the first six months of 2009.

Employees

As of June 30, 2010, we employed approximately 11,200 people, of whom approximately 8,100 were represented by bargaining units. Our unionized employees are represented predominantly by the Communications, Energy and Paperworkers Union (the "CEP") in Canada and predominantly by the United Steelworkers International in the U.S.

- A significant number of our collective bargaining agreements with respect to our paper operations in Eastern Canada expired at the end of April 2009. At the beginning of March 2010, we reached an agreement in principle with the CEP and the Confederation des syndicats nationaux (the "CSN"), subject to the resolution of ongoing discussions with the governments of Quebec and Ontario regarding funding relief in respect of the material solvency deficits in pension plans sponsored by Abitibi and Bowater. Ratification of these agreements has been completed in all locations.

On April 29, 2010, a coalition of U.S. labor unions led by the United Steelworkers International ratified a new master bargaining agreement covering mills in Calhoun, Catawba, Coosa Pines, Alabama and Augusta. The individual mill collective bargaining agreements adopted in connection therewith will extend through April 27, 2014 in the case of

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ABITIBIBOWATER INC.

Calhoun and Catawba and April 27, 2015 in the case of Coosa Pines and Augusta. The master bargaining agreement will become effective upon consummation of the Plans of Reorganization.

In May and June 2010, we reached agreements with sawmills and woodland workers in the Mauricie region of the province of Quebec represented by the CSN and most of the unions representing trades and office employees in our four Ontario paper mills. We are still negotiating the renewal of collective bargaining agreements with other unions also representing trades and office employees in those four Ontario mills.

In June 2010, we reached an agreement for the renewal of the collective bargaining agreements of four sawmills affiliated with the CEP. The CEP union agreement has since been serving as a model agreement for three other sawmills located in Saint-Felicien, Normandin and Comtois, Quebec. Except for the agreement related to the sawmill in Comtois, these agreements have been ratified.

We started discussions at the end of June 2010 with the CEP for the reopening and/or renewal of eight woodland unions representing 800 employees working in the Lac Saint-Jean, Quebec region.

The employees at the Mokpo facility have complied with all conditions necessary to strike, but the possibility of a strike or lockout of those employees is not clear; we served the six-month notice necessary to terminate the collective bargaining agreement related to the Mokpo facility on June 19, 2009.

We may not be able to reach satisfactory agreements with all of our employees, which could result in strikes or work stoppages by affected employees. Renewals could also result in higher wage or benefit costs. We could therefore experience a disruption of our operations or higher ongoing labor costs, which could materially and adversely affect our business, financial condition or results of operations and our emergence from the Creditor Protection Proceedings.

We also announced in the third quarter of 2009 that we would continue to work on SG&A austerity measures with a target reduction of approximately \$100 million on an annualized basis, as compared to 2008. The SG&A reduction efforts included, among other items, a 25% corporate headcount reduction. We expect to have some further declines in employment and compensation as we implement the Plans of Reorganization and respond to the need to further reduce capacity in some product lines.

Recent Accounting Guidance

There is no new accounting guidance issued which we have not yet adopted that is expected to materially impact our results of operations or financial condition.

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ABITIBIBOWATER INC.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures:

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a—15(e) and 15d—15(e) of the Securities Exchange Act of 1934, as of June 30, 2010. Based on that evaluation, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date in recording, processing, summarizing, and timely reporting information required to be disclosed in our reports to the Securities and Exchange Commission.

(b) Changes in Internal Control over Financial Reporting:

In connection with the evaluation of internal control over financial reporting, there were no changes during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Creditor Protection Proceedings

As previously discussed, on April 16, 2009 and December 21, 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions for relief under Chapter 11. In addition, on April 17, 2009, certain of AbitibiBowater Inc.'s Canadian subsidiaries sought creditor protection under the CCAA. On April 17, 2009, Abitibi and ACCC each filed Chapter 15 Cases to obtain recognition and enforcement in the United States of certain relief granted in the CCAA Proceedings and also on that date, AbitibiBowater Inc. and certain of its subsidiaries in the Chapter 11 Cases obtained orders under the 18.6 Proceedings. Our wholly-owned subsidiary that operates our Mokpo operations and almost all of our less than wholly-owned subsidiaries continue to operate outside of the Creditor Protection Proceedings.

On July 9, 2010, the Canadian Court approved the mailing of solicitation materials related to the CCAA Plan and on August 2, 2010, the U.S. Court approved the solicitation materials related to our Chapter 11 Plan. These approvals enable us to begin soliciting votes from creditors to accept or reject our Plans of Reorganization in accordance with the applicable Court orders.

For additional information, see Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Creditor Protection Proceedings," of this Quarterly Report on Form 10–Q, which is incorporated herein by reference.

Legal Items

We are involved in various legal proceedings relating to contracts, commercial disputes, taxes, environmental issues, employment and workers' compensation claims and other matters. We periodically review the status of these proceedings with both inside and outside counsel. Although the final outcome of any of these matters is subject to many variables and cannot be predicted with any degree of certainty, we establish reserves for a matter (including legal costs expected to be incurred) when we believe an adverse outcome is probable and the amount can be reasonably estimated. We believe that the ultimate disposition of these matters will not have a material adverse effect on our financial condition, but it could have a material adverse effect on our results of operations in any given quarter or year.

Subject to certain exceptions, all litigation against the Debtors that arose or may arise out of pre-petition conduct or acts is subject to the automatic stay provisions of Chapter 11 and the CCAA and the orders of the Courts rendered thereunder. In addition, any recovery by the plaintiffs in those matters will be treated consistent with all other general unsecured claims in the Creditor Protection Proceedings.

Information on our legal proceedings is presented under Part I, Item 3, "Legal Proceedings," in our Annual Report on Form 10–K for the year ended December 31, 2009, filed with the SEC on March 31, 2010, as subsequently amended, and updated under Part II, Item 1, "Legal Proceedings," in our Quarterly Report on Form 10–Q for the quarter ended March 31, 2010, filed with the SEC on May 20, 2010 and as further updated above. Except as so amended and updated, there have been no

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ABITIBIBOWATER INC.

material developments to the legal proceedings described in our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on March 31, 2010, as amended.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1*	Amendment No. 6, dated as of April 12, 2010, to the Senior Secured SuperPriority Debtor In Possession Credit Agreement, dated as of April 21, 2009, by and among AbitibiBowater Inc., Bowater Incorporated, Bowater Canadian Forest Products Inc., as debtors, debtors in possession and borrowers and Law Debenture Trust Company of New York, as administrative agent and collateral agent, and the lenders (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 16, 2010, SEC File No. 001-33776).
10.2*	Backstop Commitment Agreement, dated May 24, 2010, between AbitibiBowater Inc. and Fairfax Financial Holdings Limited, Avenue Capital Management II, L.P., Paulson Credit Opportunities Master Ltd., Barclays Bank plc, Steelhead Navigator Master, L.P., J.P. Morgan Securities Inc. and Whitebox Advisors, LLC (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 28, 2010, SEC File No. 001-33776).
10.3*	Amendment No. 1 to Second Amended and Restated Receivables Purchase Agreement, Amendment No. 1 to the Second Amended and Restated Purchase and Contribution Agreement and Amendment No. 3 to Guaranty and Undertaking Agreement, among Abitibi-Consolidated U.S. Funding Corp., Abitibi-Consolidated Inc., Abitibi Consolidated Sales Corporation and certain other subsidiaries of the Company and Citibank, N.A., as agent for the banks party thereto, dated as of June 11, 2010 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 17, 2010, SEC File No. 001-33776).
31.1**	Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Executive Vice President and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of President and Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Executive Vice President and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Previously filed and incorporated herein by reference.
**	Filed with this Quarterly Report on Form 10-Q.

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ABITIBIBOWATER INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ABITIBIBOWATER INC.

By /s/ William G. Harvey

William G. Harvey
Executive Vice President and Chief
Financial Officer

By /s/ Joseph B. Johnson

Joseph B. Johnson
Senior Vice President, Finance and Chief
Accounting Officer

Dated: August 16, 2010

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ABITIBIBOWATER INC. INDEX TO EXHIBITS

Exhibit No.	Description
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32.2**	Certification of Executive Vice President and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Previously filed and incorporated herein by reference.
**	Filed with this Quarterly Report on Form 10-Q.

Certification

I, David J. Paterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2010 of ABITIBIBOWATER INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(c) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2010

/s/ David J. Paterson

David J. Paterson
President and Chief Executive Officer

Certification

I, William G. Harvey, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2010 of ABITIBOWATER INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2010

/s/ William G. Harvey

William G. Harvey
Executive Vice President and Chief Financial Officer

Certification

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ABITIBIBOWATER INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 16, 2010

/s/ David J. Paterson

Name: David J. Paterson

Title: President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to AbitibiBowater Inc. and will be retained by AbitibiBowater Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Report or as a separate disclosure document.

Certification

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ABITIBIBOWATER INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 16, 2010

/s/ William G. Harvey

Name: William G. Harvey

Title: Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to AbitibiBowater Inc. and will be retained by AbitibiBowater Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Report or as a separate disclosure document.

APPENDIX “F”

THE CCAA PLAN

PLAN OF REORGANIZATION AND COMPROMISE

Plan of Reorganization and Compromise of AbitibiBowater Inc. and certain of its subsidiaries listed in Schedule "A" hereto pursuant to the *Companies' Creditors Arrangement Act* (Canada), Section 191 of the *Canada Business Corporations Act* and such other Sections and legislation to be set forth in the Restructuring Transactions Notice (as defined herein).

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this CCAA Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

"0% Unsecured Notes" means the 0% Unsecured Notes due 2012 issued by ACCC pursuant to the 0% Unsecured Notes Note Agreement;

"0% Unsecured Notes Note Agreement" means the note agreement dated as of May 28, 2004 between ACCC, as issuer, and Investissement Québec, as lender;

"2010 STIP" has the meaning ascribed to such term in Subsection 6.8(b);

"2011 STIP" has the meaning ascribed to such term in Subsection 6.8(b);

"6.00% Senior Notes" means the 6.00% Senior Notes due June 20, 2013 issued by ACCC pursuant to the 6.00% Senior Notes Indenture;

"6.00% Senior Notes Indenture" means the indenture dated as of December 11, 2001, as supplemented, between ACCC, as issuer, and the 6.00% Senior Notes Indenture Trustee;

"6.00% Senior Notes Indenture Trustee" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 6.00% Senior Notes Indenture;

"7.40% Debentures" means the 7.40% Debentures due April 1, 2018 issued by ACI pursuant to the 7.40% Debentures Indenture;

"7.40% Debentures Indenture" means the indenture dated as of April 6, 1998, as supplemented, between ACI, as issuer, and the 7.40% Debentures Indenture Trustee;

"7.40% Debentures Indenture Trustee" means Computershare Trust Company of Canada, as successor trustee to Montreal Trust Company and its successors and assigns, as indenture trustee under the 7.40% Debentures Indenture;

"7.50% Debentures" means the 7.50% Debentures due April 1, 2028 issued by ACI pursuant to the 7.50% Debentures Indenture;

"7.50% Debentures Indenture" means the indenture dated as of April 6, 1998, as supplemented, between ACI, as issuer, and the 7.50% Debentures Indenture Trustee;

"7.50% Debentures Indenture Trustee" means Computershare Trust Company of Canada, as successor trustee to Montreal Trust Company and its successors and assigns, as indenture trustee under the 7.50% Debentures Indenture;

"7.75% Notes" means the 7.75% Notes due June 15, 2011 issued by ACCC pursuant to the 7.75% Notes Indenture;

"7.75% Notes Indenture" means the indenture dated as of June 15, 2004, as supplemented, among ACCC, as issuer, and the 7.75% Notes Indenture Trustee;

"7.75% Notes Indenture Trustee" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 7.75% Notes Indenture;

"7.875% Notes" means the 7.875% Notes due August 1, 2009 issued by ACF LP pursuant to the 7.875% Notes Indenture;

"7.875% Notes Indenture" means the indenture dated as of July 26, 1999, as supplemented, between ACF LP and ACI, as issuers, and the 7.875% Notes Indenture Trustee;

"7.875% Notes Indenture Trustee" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 7.875% Senior Notes Indenture;

"7.95% Notes" means the 7.95% Notes due November 15, 2011 issued by BCFC pursuant to the 7.95% Notes Indenture;

"7.95% Notes Indenture" means the indenture dated as of October 31, 2001, as supplemented, between BCFC, as issuer, and the 7.95% Notes Indenture Trustee;

"7.95% Notes Indenture Trustee" means The Bank of New York and its successors and assigns, as indenture trustee under the 7.95% Notes Indenture;

"8.375% Senior Notes" means the 8.375% Senior Notes due April 1, 2015 issued by ACCC pursuant to the 8.375% Senior Notes Indenture;

"8.375% Senior Notes Indenture" means the indenture dated as of December 11, 2001, as supplemented, between ACCC, as issuer, and the 8.375% Senior Notes Indenture Trustee;

"8.375% Senior Notes Indenture Trustee" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 8.375% Senior Notes Indenture;

"8.50% Debentures" means the 8.50% Debentures due August 1, 2029 issued by ACI pursuant to the 8.50% Debentures Indenture;

"8.50% Debentures Indenture" means the indenture dated as of July 26, 1999, as supplemented, between ACI and ACF LP, as issuers, and the 8.50% Debentures Indenture Trustee;

"8.50% Debentures Indenture Trustee" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 8.50% Debentures Indenture;

"8.55% Senior Notes" means the 8.55% Senior Notes due August 1, 2010 issued by ACI pursuant to the 8.55% Senior Notes Indenture;

"8.55% Senior Notes Indenture" means the indenture dated as of July 26, 1999, as supplemented, between ACI and ACF LP, as issuers, and the 8.55% Senior Notes Indenture Trustee;

"8.55% Senior Notes Indenture Trustee" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 8.55% Senior Notes Indenture;

"8.85% Debentures" means the 8.85% Debentures due April 1, 2030 issued by ACI pursuant to the 8.85% Debentures Indenture;

"8.85% Debentures Indenture" means the indenture dated as of July 26, 1999, as supplemented, between ACI and ACF LP, as issuers, and the 8.85% Debentures Indenture Trustee;

"8.85% Debentures Indenture Trustee" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 8.85% Debentures

"10.26% Senior Notes (Series D)" means the 10.26% Senior Notes (Series D) due January 15, 2011 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.26% Senior Notes (Series D) Note Agreement;

"10.26% Senior Notes (Series D) Note Agreement" means the note agreement dated as of November 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto;

"10.50% Senior Notes (Series B)" means the 10.50% Senior Notes (Series B) due June 15, 2010 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.50% Senior Notes (Series B) Note Agreement;

"10.50% Senior Notes (Series B) Note Agreement" means the note agreement dated as of June 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto;

"10.60% Senior Notes (Series C)" means the 10.60% Senior Notes (Series C) due January 15, 2011 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.60% Senior Notes (Series C) Note Agreement;

"10.60% Senior Notes (Series C) Note Agreement" means the note agreement dated as of November 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto;

"10.625% Senior Notes (Series A)" means the 10.625% Senior Notes (Series A) due June 15, 2010 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.625% Senior Notes (Series A) Note Agreement;

"10.625% Senior Notes (Series A) Note Agreement" means the note agreement dated as of June 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto;

"10.85% Debentures" means the 10.85% Debentures due November 30, 2014 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.85% Debentures Indenture;

"10.85% Debentures Indenture" means the trust indenture dated as of December 12, 1989, as supplemented, between BCFPI (f/k/a Canadian Pacific Forest Products Limited), as issuer, and the 10.85% Debentures Indenture Trustee;

"10.85% Debentures Indenture Trustee" means Computershare Trust Company of Canada, as successor trustee to Montreal Trust Company and its successors and assigns, as indenture trustee under the 10.85% Debentures Indenture;

"15.5% Guarantor Applicant" means any of 3224112 Nova Scotia Limited, Marketing Donohue Inc., 3834328 Canada Inc., 6169678 Canada Inc., 1508756 Ontario Inc., The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd., Terra Nova Explorations Ltd. and Abitibi-Consolidated (U.K.) Inc.;

"15.5% Guarantor Applicant Affected Unsecured Claim" means any Affected Claim against a 15.5% Guarantor Applicant;

"15.5% Guarantor Applicant Affected Unsecured Creditor" means any creditor that is the Holder of a 15.5% Guarantor Applicant Affected Unsecured Claim;

"15.5% Guarantor Applicant Affected Unsecured Creditor Class" means, in respect of each 15.5% Guarantor Applicant, the class of creditors grouped in accordance with their Affected Claims against such 15.5% Guarantor Applicant for the purpose of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, each class being comprised solely of the 15.5% Guarantor Applicant Affected Unsecured Creditors that are Holders of an Affected Claim against such 15.5% Guarantor Applicant;

"15.5% Pro Rata" means, at any time, the proportion that the Face Amount of a 15.5% Senior Unsecured Notes Claim in a particular class bears to the aggregate Face Amount of all 15.5% Senior Unsecured Notes Claims in such class (including Disputed Claims but excluding any Disallowed Claims);

"15.5% Senior Unsecured Notes" means the 15.5% Senior Unsecured Notes due July 15, 2010 issued by ACCC pursuant to the 15.5% Senior Unsecured Notes Indenture;

"15.5% Senior Unsecured Notes Claim" means any Affected Claim against any 15.5% Guarantor Applicant, ACI, ACCC, Saguenay Forest Products, ACNSI, Office Products or Recycling pursuant to the 15.5% Senior Unsecured Notes;

"15.5% Senior Unsecured Notes Creditor" means any creditor that is the Holder of a 15.5% Senior Unsecured Note Claim;

"15.5% Senior Unsecured Notes Indenture" means the indenture dated as of April 1, 2008, as supplemented, between ACCC, as issuer, and the 15.5% Senior Unsecured Notes Indenture Trustee;

"15.5% Senior Unsecured Notes Indenture Trustee" means Wilmington Trust Company, as successor indenture trustee to Wells Fargo Bank, National Association and its successor and assigns, as indenture trustee, under the 15.5% Senior Unsecured Notes Indenture;

"18.6 Petitioners" has the meaning ascribed to such term in the Initial Order;

"ABH" means AbitibiBowater Inc.;

"Abitibi Administration Charge" has the meaning ascribed to such term in the Initial Order;

"AbitibiBowater Canada" means AbitibiBowater Canada Inc.;

"AbitibiBowater Canada Affected Unsecured Claim" means any Affected Claim against AbitibiBowater Canada;

"AbitibiBowater Canada Affected Unsecured Creditor" means any creditor that is the Holder of an AbitibiBowater Canada Affected Unsecured Claim;

"AbitibiBowater Canada Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against AbitibiBowater Canada for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the AbitibiBowater Canada Affected Unsecured Creditors;

"Abitibi D&O Charge" has the meaning ascribed to such term in the Initial Order;

"ABL Exit Financing Facility" means the senior secured asset-based revolving facility to be entered into by the Reorganized Debtors and the lender(s) thereunder as contemplated in Section 6.11 of the U.S. Plan, pursuant to such documentation, or a summary thereof, that shall be set forth in (i) a CCAA Plan Supplement, or (ii) such other notice and in such form as determined by the U.S. Debtors and the Applicants, each of which will be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date with notice of such posting forthwith provided to the Service List (as such notice may be thereafter modified, amended, varied or supplemented in accordance with this CCAA Plan);

"ACCC" means Abitibi-Consolidated Company of Canada;

"ACCC Administrative Agent" means Wells Fargo Bank, N.A. (as successor-in-interest to Goldman Sachs Credit Partners L.P.) in its capacity as administrative agent and collateral agent under the ACCC Term Loan Facility, and its successors and assigns;

"ACCC Affected Unsecured Claim" means any Affected Claim against ACCC, including any 15.5% Senior Unsecured Notes Claim against ACCC;

"ACCC Affected Unsecured Creditor" means any creditor that is the Holder of an ACCC Affected Unsecured Claim;

"ACCC Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against ACCC for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the ACCC Affected Unsecured Creditors;

"ACCC Term Lenders" means the lenders party from time to time to the ACCC Term Loan Documents;

"ACCC Term Loan Claim" means, subject to paragraphs 13 and 14 of the Third Claims Procedure Order, any Claim of any ACCC Term Lender or the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, and interest accrued thereon and any unpaid costs, fees and other amounts relating thereto as of the Implementation Date, including accrued interest at the default rate plus reasonable professional fees;

"ACCC Term Loan Documents" means that certain Credit and Guaranty Agreement, dated as of April 1, 2008 (as may have been amended, supplemented, restated, or otherwise modified from time to time), among ACCC in its capacity as a borrower, certain subsidiaries of ABH as guarantors, the lenders from time-to-time party thereto and the ACCC Administrative Agent, together with all other loan documents, guaranty, and security documents executed in connection therewith or which relate thereto;

"ACI" means Abitibi-Consolidated Inc.;

"ACI Affected Unsecured Claim" means any Affected Claim against ACI, including any 15.5% Senior Unsecured Notes Claim against ACI;

"ACI Affected Unsecured Creditor" means any creditor that is the Holder of an ACI Affected Unsecured Claim;

"ACI Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against ACI for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the ACI Affected Unsecured Creditors;

"ACI DIP Charge" has the meaning ascribed to such term in the Initial Order;

"ACI Inter-company Advances Charge" has the meaning ascribed to such term in the Initial Order;

"ACF LP" means Abitibi-Consolidated Finance L.P.;

"ACNSI" means Abitibi-Consolidated Nova Scotia Incorporated;

"ACNSI Affected Unsecured Claim" means any Affected Claim against ACNSI, including any 15.5% Senior Unsecured Notes Claim against ACNSI;

"ACNSI Affected Unsecured Creditor" means any creditor that is the Holder of an ACNSI Affected Unsecured Claim;

"ACNSI Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against ACNSI for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the ACNSI Affected Unsecured Creditors;

"Ad Hoc Unsecured Noteholders Committee" means the informal committee of certain Holders of Canadian Unsecured Notes Claims;

"Administrative Claim" means, in respect of any Cross-border Debtor, a Claim to the extent that it is of the kind described in Section 503(b) of the Bankruptcy Code and is entitled to priority under Section 507(a)(1) of the Bankruptcy Code, including (i) any actual and necessary expenses of preserving the estate of such Cross-border Debtor, (ii) any actual and necessary expenses of operating the business of such Cross-border Debtor, (iii) all allowances of compensation or reimbursement of expenses to such Cross-border Debtor to the extent allowed by the Bankruptcy Court under Sections 330(a), 331 or 503(b)(2), (3), (4) or (5) of the Bankruptcy Code, (iv) Claims of such Cross-border Debtor arising under Section 503(b)(9) of the Bankruptcy Code, and (v) all fees and charges payable by such Cross-border Debtor pursuant to Section 1930 of title 28 of the United States Code;

"Affected Claims" means all Claims, Subsequent Claims and Restructuring Claims other than Excluded Claims;

"Affected Unsecured Claims" means the ACI Affected Unsecured Claims, the ACCC Affected Unsecured Claims, the 15.5% Guarantor Applicant Affected Unsecured Claims, the Saguenay Forest Products Affected Unsecured Claims, the BCFPI Affected Unsecured Claims, the BCFC Affected Unsecured Claims, the AbitibiBowater Canada Affected Unsecured Claims, the Bowater Maritimes Affected Unsecured Claims, the ACNSI Affected Unsecured Claims, the Office Products Affected Unsecured Claims and the Recycling Affected Unsecured Claims;

"Affected Unsecured Creditor" means any creditor that is the Holder of an Affected Unsecured Claim and may, if the context requires, mean an assignee of an Affected Unsecured Claim or a trustee, interim receiver, receiver manager, or other Person acting on behalf of such Person, if such assignee or other Person has been recognized by the affected Applicant, the Disbursing Agent or the Servicer, as the case may be;

"Affected Unsecured Creditor Classes" means the ACI Affected Unsecured Creditor Class, the ACCC Affected Unsecured Creditor Class, the 15.5% Guarantor Applicant Affected Unsecured Creditor Classes, the Saguenay Forest Products Affected Unsecured Creditor Class, the BCFPI Affected Unsecured Creditor Class, the BCFC Affected Unsecured Creditor Class, the AbitibiBowater Canada Affected Unsecured Creditor Class, the Bowater Maritimes Affected

Unsecured Creditor Class, the ACNSI Affected Unsecured Creditor Class, the Office Products Affected Unsecured Creditor Class and the Recycling Affected Unsecured Creditor Class;

"Allowed Cross-border Claim" has the meaning ascribed to such term in Section 7.11;

"Applicants" means the direct and indirect subsidiaries of ABH participating in the CCAA Proceedings listed in Schedule "A" hereto;

"Applicants Reserve" means the reserve to be established and maintained under this CCAA Plan by the Monitor, in its capacity as Disbursing Agent, by holding on account of Disputed Claims a number of shares of New ABH Common Stock equal to the amount of shares of New ABH Common Stock that the Holders of Disputed Claims would be entitled to receive if all such Disputed Claims had been Proven Claims in their entire amount on the Initial Distribution Record Date;

"Backstop Commitment Agreement" means the backstop commitment agreement entered into by ABH and the Backstop Parties on May 24, 2010 in connection with the Rights Offering, as amended and restated as of July 20, 2010, and as may be further amended, restated, supplemented or otherwise modified from time to time in accordance with its terms;

"Backstop Parties" means certain of the legal or beneficial holders of Affected Unsecured Claims as of May 23, 2010 and any of their affiliates, successors, assigns or replacements, in accordance with the terms and conditions set forth in the Backstop Commitment Agreement;

"Bankruptcy Code" means the United States Bankruptcy Code, 11 U.S.C. Sections 101 et seq., as amended from time to time;

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware in which the Chapter 11 Cases were filed or any other United States court with jurisdiction over the Chapter 11 Cases;

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure and the local rules and standing orders of the Bankruptcy Court, as amended from time to time;

"BCFC" means Bowater Canada Finance Corporation;

"BCFC Affected Unsecured Claim" means any Affected Claim against BCFC;

"BCFC Affected Unsecured Creditor" means any creditor that is the Holder of a BCFC Affected Unsecured Claim;

"BCFC Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against BCFC for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the BCFC Affected Unsecured Creditors;

"BCFPI" means Bowater Canadian Forest Products Inc.;

"BCFPI Administrative Agent" means Bank of Nova Scotia in its capacity as administrative agent under the BCFPI Secured Bank Documents, and its successors and assigns;

"BCFPI Affected Unsecured Claim" means any Affected Claim against BCFPI;

"BCFPI Affected Unsecured Creditor" means any creditor that is the Holder of a BCFPI Affected Unsecured Claim;

"BCFPI Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against BCFPI for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the BCFPI Affected Unsecured Creditors;

"BCFPI Lenders" means the lenders party from time to time to the BCFPI Secured Bank Documents;

"BCFPI Secured Bank Claim" means any Claim of any BCFPI Lender or the BCFPI Administrative Agent pursuant to the BCFPI Secured Bank Documents, and interest accrued thereon and any unpaid costs, fees and other amounts relating thereto (including reimbursement obligations for BCFPI Secured Bank Letters of Credit and accrued interest at the default rate plus reasonable professional fees, costs and charges) under the BCFPI Secured Bank Documents as of the Implementation Date;

"BCFPI Secured Bank Documents" means that certain Credit Agreement, dated as of May 31, 2006, as amended by that certain First Amendment dated as of July 20, 2007, that certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, that certain Fifth Amendment dated as of April 30, 2008, that certain Sixth Amendment dated as of May 28, 2008, that certain Seventh Amendment dated as of June 6, 2008, that certain Eighth Amendment dated as of June 30, 2008, that certain Ninth Amendment and Waiver dated as of August 7, 2008, that certain Tenth Amendment and Waiver dated as of November 12, 2008 and that certain Eleventh Amendment and Consent dated as of February 27, 2009; and as further modified by the letter agreements dated March 17, 2009, March 23, 2009, March 31, 2009 and April 6, 2009, among BCFPI, as the borrower, and Bowater, Bowater Alabama LLC, Bowater Newsprint South Operations LLC, Bowater Newsprint South LLC and certain of the U.S. Debtors and Applicants, as guarantors, the BCFPI Administrative Agent, together with all collateral, security and ancillary documents executed in connection therewith or which relate thereto;

"BCFPI Secured Bank Letters of Credit" means the letters of credit to be listed on a CCAA Plan Supplement that are issued and outstanding immediately prior to the Implementation Date under the BCFPI Secured Bank Documents;

"BCHI" means Bowater Canadian Holdings Incorporated;

"BI DIP Agent" means the administrative agent and collateral agent from time to time under the BI DIP Facility Documents;

"BI DIP Claim" means any and all Obligations of the borrowers and guarantors to any BI DIP Lender or the BI DIP Agent pursuant to the BI DIP Facility Documents or the Initial Order as of the Implementation Date;

"BI DIP Facility Documents" means that certain Senior Secured Superpriority Debtor in Possession Credit Agreement dated as of April 21, 2009 (as amended, modified, or supplemented from time to time), by and among ABH, Bowater and BCFPI, as borrowers, the BI DIP Lenders from time to time party thereto (including Fairfax Financial Holdings Limited, as initial lender and initial BI DIP Agent) and the BI DIP Agent from time to time party thereto together with any related collateral, loan, or security documents executed in connection therewith or which relate thereto;

"BI DIP Lenders" means the lenders and financial institutions party from time to time to the BI DIP Facility Documents;

"BI DIP Lenders Charge" has the meaning ascribed to such term in the Initial Order;

"BI Inter-company Advances Charge" has the meaning ascribed to such term in the Initial Order;

"Board" has the meaning ascribed to such term in Section 6.15;

"Bowater" means Bowater Incorporated;

"Bowater Administration Charge" has the meaning ascribed to such term in the Initial Order;

"Bowater Adequate Protection Charge" has the meaning ascribed to such term in the Initial Order;

"Bowater D&O Charge" has the meaning ascribed to such term in the Initial Order;

"Bowater Maritimes" means Bowater Maritimes Inc.;

"Bowater Maritimes Affected Unsecured Claim" means any Affected Claim against Bowater Maritimes;

"Bowater Maritimes Affected Unsecured Creditor" means any creditor that is the Holder of a Bowater Maritimes Affected Unsecured Claim;

"Bowater Maritimes Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against Bowater Maritimes for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the Bowater Maritimes Affected Unsecured Creditors;

"Bridgewater Entities" means Bridgewater Paper Company Limited and Cheshire Recycling Ltd.;

"Business Day" means (i) any day, other than a Saturday or a Sunday, or a non-judicial day (as defined in Article 6 of the *Code of Civil Procedure* (Québec), as amended), on which commercial banks are generally open for business in Montreal, Québec, Canada and (ii) in respect of any Cross-border Debtor, any day other than a Saturday, a Sunday or a "legal holiday" (as such term is defined in Bankruptcy Rule 9006(a));

"Canadian Secured Notes" means the 13.75% Senior Secured Notes due April 1, 2011 issued by ACCC pursuant to the Canadian Secured Notes Indenture;

"Canadian Secured Notes Claims" means, subject to paragraphs 11 and 12 of the First Claims Procedure Order and paragraph 15 of the Third Claims Procedure Order, any Claim of any holder of Canadian Secured Notes and the Canadian Secured Notes Indenture Trustee pursuant to the Canadian Secured Notes and the Canadian Secured Notes Indenture, and interest accrued thereon and any unpaid costs, fees, and other amounts relating thereto as of the Implementation Date;

"Canadian Secured Notes Indenture" means the indenture dated as of April 1, 2008, as supplemented, between ACCC, as issuer, and the Canadian Secured Notes Indenture Trustee;

"Canadian Secured Notes Indenture Trustee" means U.S. Bank, National Association and its successors and assigns, as indenture trustee under the Canadian Secured Notes Indenture;

"Canadian Unsecured Notes" means the 0% Unsecured Notes, 6.00% Senior Notes, 7.40% Debentures, 7.50% Debentures, 7.75% Notes, 7.875% Notes, 7.95% Notes, 8.375% Senior Notes, 8.50% Debentures, 8.55% Senior Notes, 8.85% Debentures, 10.26% Senior Notes (Series D), 10.50% Senior Notes (Series B), 10.60% Senior Notes (Series C), 10.625% Senior Notes (Series A), 10.85% Debentures, 15.5% Senior Unsecured Notes and the Floating Rate Notes;

"Canadian Unsecured Notes Claims" means any Claim of any holder of a Canadian Unsecured Note;

"Canadian Unsecured Notes Indentures" means the 0% Unsecured Notes Note Agreement, 6.00% Senior Notes Indenture, 7.40% Debentures Indenture, 7.50% Debentures Indenture, 7.75% Notes Indenture, 7.875% Notes Indenture, 7.95% Notes Indenture, 8.375% Senior Notes Indenture, 8.50% Debentures Indenture, 8.55% Senior Notes Indenture, 8.85% Debentures Indenture, 10.26% Senior Notes (Series D) Note Agreement, 10.50% Senior Notes (Series B) Note Agreement, 10.60% Senior Notes (Series C) Note Agreement, 10.625% Senior Notes (Series A) Note Agreement, 10.85% Debentures Indenture, 15.5% Senior Unsecured Notes Indenture and the Floating Rate Notes Indenture;

"Cash" means cash and cash equivalents such as bank deposits, term deposits, guaranteed investment certificates, checks and other similar items or instruments denominated in legal tender of either Canada or the United States, as the context requires;

"CBCA" means the *Canada Business Corporations Act*;

"CCAA" means the *Companies' Creditors Arrangement Act* (Canada) as applicable to the CCAA Proceedings which, for greater certainty, does not include the amendments proclaimed into force on September 18, 2009;

"CCAA Charges" has the meaning ascribed to such term in the Initial Order;

"CCAA Charge Claim" has the meaning ascribed to such term in Section 2.3;

"CCAA Plan" means this plan of reorganization and compromise jointly filed by the Applicants pursuant to the provisions of the CCAA, Section 191 of the CBCA and such other Sections and legislation to be set forth in the Restructuring Transactions Notice, as it may be modified, amended, varied or supplemented by the Applicants from time to time in accordance with its terms, including by the Restructuring Transactions Notice and any CCAA Plan Supplement;

"CCAA Plan Modification" has the meaning ascribed to such term in Subsection 8.4(a);

"CCAA Plan Supplement" means any supplement to this CCAA Plan that is to be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date with notice of such posting being forthwith provided to the Service List (as such CCAA Plan Supplement may be thereafter modified, amended, varied or supplemented in accordance with this CCAA Plan);

"CCAA Plan Supplement Filing Date" means the date which shall be at least 10 days prior to the date set forth in an Order of the Bankruptcy Court as the deadline for the return of ballots accepting or rejecting the U.S. Plan provided, that, if such date falls after the Creditors' Meeting Date, then the CCAA Plan Supplement Filing Date shall be on the day immediately prior to the Creditors' Meeting Date, which date shall be confirmed by a notice posted on the Monitor's Website and forthwith provided to the Service List;

"CCAA Proceedings" means the proceedings in respect of the Applicants and the 18.6 Petitioners before the Court commenced pursuant to the CCAA;

"CCAA Vesting Order" means an Order of the Court approving and sanctioning the transfer and assignment of assets to and among the Applicants or Reorganized Debtors in the manner and the sequence as set forth in the Restructuring Transactions Notice, free and clear of all Claims and Liens (except as otherwise set forth in such Order or in this CCAA Plan);

"Chair" means, in respect of any Creditors' Meeting, the chair of such Creditors' Meeting;

"Chapter 11 Cases" means the U.S. Debtors' Chapter 11 cases pending in front of the Bankruptcy Court, which are being jointly administered under Case No. 09-11296;

"Chapter 15 Proceedings" means the voluntary cases under Chapter 15 of the Bankruptcy Code commenced by ACI and ACCC in the Bankruptcy Court on April 17, 2009;

"Chief Restructuring Officer" means Bruce Robertson and 7088418 Canada Inc., a corporation the shares of which are held by Bruce Robertson;

"Circular" means the information circular relating to this CCAA Plan, including the notice of meeting and exhibits attached thereto and any written amendment, variation or supplement thereto;

"Claim" means any right or claim of any Person against one or more of the Applicants or Partnerships in connection with any indebtedness, liability or obligation of any kind whatsoever of one or more of the Applicants or Partnerships owed to such Person and any interest accrued thereon or costs, fees or other amounts in respect thereof, whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Claim arising from or caused by the repudiation by an Applicant of any contract, lease or other agreement, whether written or oral, the commission of a tort (intentional or unintentional), any breach of duty (legal, statutory, equitable, fiduciary or otherwise), any right of ownership or title to property, employment, contract, a trust or deemed trust, howsoever created, any Claim made or asserted against any one or more of the Applicants or Partnerships through any affiliate, or any right or ability of any Person to advance a Claim for contribution or indemnity or otherwise with respect to any grievance, matter, action, cause or chose in action, whether existing at present or commenced in the future, in each case based in whole or in part on facts which existed on the Date of Filing or which would have been together with any other Claims of any kind that, if unsecured, would constitute a debt provable in bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) had the affected Applicant become bankrupt on the Date of Filing;

"Claims Bar Dates" means November 13, 2009 and April 7, 2010, the bar dates for filing Claims for voting purposes or distribution purposes as set out in the Claims Procedure Orders, with the exception of Restructuring Claims which have a rolling bar date subsequent to April 7, 2010;

"Claims Procedure Orders" means the First Claims Procedure Order, the Second Claims Procedure Order, the Third Claims Procedure Order and the Fourth Claims Procedure Order;

"Company" means either ABH or Reorganized ABH, as the case may be, collectively with its Subsidiaries, either prior to the Implementation Date or on and after the Implementation Date, as reorganized under and pursuant to this CCAA Plan or the U.S. Plan, as the case may be;

"Court" means the Québec Superior Court of Justice, Commercial Division, for the Judicial District of Montreal, Canada, or any Canadian court with appellate jurisdiction over the CCAA Proceedings;

"Creditors' Meeting" means, in respect of any Affected Unsecured Creditors Class, the meeting of the Affected Unsecured Creditors holding Voting Claims called pursuant to the Creditors' Meeting Order for the purposes of, among other things, considering and, if deemed appropriate, passing their respective Resolution and includes any adjournment, postponement or other rescheduling of such meeting;

"Creditors' Meeting Date" means the date fixed for the Creditors' Meetings under the Creditors' Meeting Order subject to any adjournment or postponement or further Order of the Court;

"Creditors' Meeting Order" means, the Order of the Court dated July 9, 2010 as amended on July 21, 2010 and as further amended or supplemented from time to time by further Orders of the Court which, among other things, sets the Creditors' Meeting Date and establishes meeting procedures for the Creditors' Meetings of each Affected Unsecured Creditors Class;

"Cross-border Claims Protocol" means the cross-border claims protocol that was approved by the Court on January 18, 2010 and the Bankruptcy Court on January 19, 2010, as may be modified, amended, varied or supplemented from time to time;

"Cross-border Convenience Claim" means any Proven Claim the aggregate Face Amount of which is (i) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (ii) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, in respect of which its Holder has not made a valid election in accordance with Subsections 2.4(e)(i), 2.4(f)(i), 2.4(g)(i) or 2.4(h)(i);

"Cross-border Debtors" means BCFC, BCHI, AbitibiBowater Canada, BCFPI, Bowater Maritimes, Bowater LaHave Corporation and Bowater Canadian Limited;

"Cross-border Voting Protocol" means the cross-border voting protocol governing the voting procedures of Claims against Cross-border Debtors that will be included in the solicitation materials implementing procedures for soliciting votes to accept or reject this CCAA Plan and that was filed with the Court on June 25, 2010 and the Bankruptcy Court on June 22, 2010, as modified, amended, varied, or supplemented from time to time;

"Date of Filing" means April 17, 2009;

"Date of Filing Exchange Rate" means the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Date of Filing, being, for US dollars, US\$1=Cdn\$1.2146;

"Dilution" means the dilution resulting from shares of New ABH Common Stock issued (i) pursuant to the management and director compensation and incentive programs set forth in Section 6.8 of this CCAA Plan, (ii) as a payment under the Backstop Commitment Agreement or any replacement backstop commitment obtained by the Company in connection therewith and approved by the Court and the Bankruptcy Court, (iii) upon conversion of the Rights Offering Notes in connection with the Rights Offering on the terms and conditions set forth in the Backstop Commitment Agreement, and (iv) to Donohue Corp. pursuant to the Restructuring Transactions, in an amount that is reasonably acceptable for the Unsecured Creditors' Committee and the Backstop Parties;

"Disallowed Claim" means any Claim, including any portion thereof, that has been disallowed, denied, dismissed, or overruled by the Monitor or a claims officer or pursuant to the Claims Procedure Orders, a final Order of the Court, the Bankruptcy Court, or any other court of competent jurisdiction;

"Disbursing Agent" means any Person in its capacity as a disbursing agent, including the Monitor, the Indenture Trustees and the ACCC Administration Agent in their capacities as disbursing agents;

"Disputed Claim" means an Affected Unsecured Claim or any portion thereof, that is subject to a Notice of Revision or Disallowance, or a Notice of Dispute, and in either case has become neither a Proven Claim nor a Disallowed Claim;

"Distribution Eligible Employees" has the meaning ascribed to such term in Section 3.8;

"EBITDA" means earnings before interest, taxes, depreciation and amortization;

"Election Deadline" means the time specified in the Creditors' Meeting Order as the deadline for filing a form of proxy;

"Election Notice" means the election notice included in the form of proxy, which permits Affected Unsecured Creditors to make an election in accordance with Subsections 2.4(a)(i), 2.4(b)(i), 2.4(c)(i), 2.4(d)(i), 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), 2.4(h)(i), 2.4(i)(i), 2.4(j)(i) or 2.4(k)(i);

"Eligible Employee" has the meaning ascribed to such term in Section 6.9;

"Eligible Retiree" has the meaning ascribed to such term in Section 6.9;

"Eligible Holders" has the meaning ascribed to such term in the Backstop Commitment Agreement;

"Equity Securities" means the equity securities of each Applicant and each Partnership issued and outstanding prior to the Implementation Date, including any and all common and preferred shares and any and all rights in respect of such equity securities;

"Escrowed Notes" has the meaning ascribed to such term in the Backstop Commitment Agreement;

"Exchangeable Shares" means the exchangeable shares of AbitibiBowater Canada issued and outstanding prior to the Implementation Date;

"Excluded Claims" has the meaning ascribed to such term in Section 2.3;

"Excluded Employee Claims" has the meaning ascribed to such term in Subsection 2.3(f);

"Exit Loan Facilities" means collectively, the ABL Exit Financing Facility and the Term Loan Exit Financing Facility;

"Face Amount" means, (i) when used in reference to a Disputed Claim or a Disallowed Claim, the full stated liquidated amount claimed by the Holder of such Claim in any Proof of Claim timely filed in accordance with the Claims Procedure Orders, and (ii) when used in reference to a Proven Claim, the amount of such Claim as agreed by the Applicants, or as otherwise finally determined, pursuant to the provisions of the Claims Procedure Orders;

"Final Distribution Date" means a date selected by the Reorganized Debtors that is not later than 30 days after the date on which the Monitor shall have certified to the Court that the last Disputed Claim in the CCAA Proceedings has been finally resolved;

"Final Restructuring Transactions Time" means such time or moment as set forth in the Restructuring Transactions Notice;

"First Claims Procedure Order" means the Order of the Court dated August 26, 2009 establishing, among other things, procedures for proving Claims;

"Floating Rate Notes" means the Floating Rate Notes due June 15, 2011 issued by ACCC pursuant to the Floating Rate Notes Indenture;

"Floating Rate Notes Indenture" means the indenture dated as of June 15, 2004, as amended, between ACCC, as borrower, and The Bank of Nova Scotia Trust Company of New York, as indenture trustee;

"Floating Rate Notes Indenture Trustee" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the Floating Rate Notes Indenture;

"Fourth Claims Procedure Order" means the Order of the Court dated July 21, 2010 allowing, among other things, certain late, mis-filed and scheduled Claims;

"Government Priority Claims" means any Claim owing to Her Majesty the Queen in right of Canada or any Province as described in Section 18.2(1) of the CCAA;

"Governmental Entities" means any: (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (ii) subdivision, agent, commission, board, or authority of any of the foregoing; or (iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or, for the account of, any of the foregoing;

"Holder" means a Person holding a Claim against one or more of the Applicants;

"Implementation Date" means the Business Day on which this CCAA Plan becomes effective and is implemented in accordance with Sections 8.5 and 8.6, as confirmed by a certificate filed by the Monitor with the Court;

"Indenture Trustees" means, collectively, the 6.00% Senior Notes Indenture Trustee, 7.40% Debentures Indenture Trustee, 7.50% Debentures Indenture Trustee, 7.75% Notes Indenture Trustee, 7.875% Notes Indenture Trustee, 7.95% Notes Indenture Trustee, 8.375% Senior Notes Indenture Trustee, 8.50% Debentures Indenture Trustee, 8.55% Senior Notes Indenture Trustee, 8.85% Debentures Indenture Trustee, 10.85% Debentures Indenture Trustee, Canadian Secured Notes Indenture Trustee, 15.5% Senior Unsecured Notes Indenture Trustee and Floating Rate Notes Indenture Trustee;

"Initial Distribution Date" means the first Business Day that is ten (10) days (or such longer period as may reasonably be determined by the Reorganized Debtors in consultation with the Monitor) after the Implementation Date;

"Initial Distribution Record Date" means the applicable date designated in the Sanction Order;

"Initial Order" means the Order of the Court dated April 17, 2009, as amended and restated from time to time, pursuant to which, among other things, the Applicants were granted certain relief pursuant to the CCAA;

"Insurance Contract" means any policy of third party liability insurance under which the Applicants could have asserted or did assert, or may in the future assert, a right to coverage for any claim, together with any other contracts which pertain or relate to such policy;

"Insured Claim" means any Claim arising from an incident or occurrence alleged to have occurred prior to the Implementation Date: (i) as to which any Insurer is obligated pursuant to the terms, conditions, limitations and exclusions of its Insurance Contract(s), to pay any judgment, settlement, or contractual obligation with respect to the Applicants; or (ii) that any Insurer otherwise agrees to pay as part of a settlement or compromise of a claim made under the applicable Insurance Contract(s);

"Insured Claim Creditor" means any creditor that is the Holder of an Insured Claim;

"Insurer" means any Person that issued, or is responsible for, an Insurance Contract;

"Inter-company Claim" means any right or claim of any Applicant, Partnership or U.S. Debtor against one or more other Applicants, Partnerships or U.S. Debtors, including any Claim, Subsequent Claim or Restructuring Claim;

"Interim Distribution Dates" means the first Business Day occurring sixty (60) days after the Initial Distribution Date, and subsequently, the first Business Day occurring sixty (60) days after the immediately preceding Interim Distribution Date (unless otherwise determined by the Monitor, in its capacity as Disbursing Agent);

"Interim Distribution Record Date" means, with respect to any Interim Distribution Date, the fifteenth (15th) day prior to such Interim Distribution Date;

"Laws" means all statutes, regulations, statutory rules, orders, judgments, decrees and terms and conditions of any grant of approval, permission, authority, permit or license of any court, Governmental Entity, statutory body or self-regulatory authority, and the term **"applicable"** with respect to such Laws and in any context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

"Lien" means, with respect to any interest in property, any mortgage, lien, pledge, charge, security interest, easement or encumbrance of any kind whatsoever, under United States, Canadian, or other applicable Law, affecting such interest in property;

"LTIP" has the meaning ascribed to such term in Subsection 6.8(a);

"Monitor" means Ernst & Young Inc. or any successor thereto appointed in accordance with the Initial Order or any further Order of the Court;

"Monitor's Website" means www.ey.com/ca/abitibibowater;

"New ABH Common Stock" means the new common stock of Reorganized ABH which shall be issued on the Implementation Date or authorized to be issued by Reorganized ABH at any time from and after the Implementation Date;

"New Plans" has the meaning ascribed to such term in Section 6.9;

"No Vote Applicant" has the meaning ascribed to such term in Subsection 2.5(b);

"No Vote Occurrence" has the meaning ascribed to such term in Subsection 2.5(a);

"Notice of Dispute" has the meaning ascribed to such term in the Claims Procedure Orders;

"Notice of Revision or Disallowance" has the meaning ascribed to such term in the Claims Procedure Orders;

"Obligations" means any and all demands, claims, actions, causes of action, counterclaims, suits, rights, obligations, debts, sums of money, accounts, covenants, damages, judgments, expenses, liabilities, executions, liens and other recoveries on account of any indebtedness, liability, obligation, demand or cause of action of whatever nature (including interest thereon and costs, fees or other amounts in respect thereof or remedies to challenge transfers which may fall within the scope of any bulk sales, fraudulent conveyance or similar statute) whether reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, direct, indirect or derivative, then existing or hereafter arising, in law, equity or otherwise;

"Office Products" means Abitibi-Consolidated Canadian Office Products Holdings Inc.;

"Office Products Affected Unsecured Claim" means any Affected Claim against Office Products;

"Office Products Affected Unsecured Creditor" means any creditor that is the Holder of an Office Products Affected Unsecured Claim;

"Office Products Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against Office Products for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the Office Products Affected Unsecured Creditors;

"Order" means any order of the Court or the Bankruptcy Court;

"Original Currency" has the meaning ascribed to such term in Section 7.10;

"Partnerships" means the partnerships listed in Schedule "B" hereto;

"Person" means any person, including any individual, partnership, joint venture, venture capital fund, association, corporation, limited liability company, limited liability partnership, unlimited liability company, trust, trustee, executor, administrator, legal personal representative, estate, group, unincorporated association or organization, Governmental Entity, syndicate, the Monitor, the Office of the United States Trustee or other entity, whether or not having legal status;

"Post-filing Claims" means all Obligations which are not Claims, Subsequent Claims or Restructuring Claims and arise from, or are in respect of, the Backstop Commitment Agreement, or any other executory contract, unexpired lease or agreement which has been deemed ratified pursuant to the CCAA Plan and all Obligations which arise from, or are in respect of, any agreement entered into after the Date of Filing and approved by the Court as part of the CCAA Proceedings;

"Pro Rata" means, at any time, the proportion that (i) the Face Amount of an Affected Claim (including any Inter-company Claim deemed to be an Affected Unsecured Claim pursuant to Section 2.5(c) (including Disputed Claims, but excluding Disallowed Claims)) in a particular class bears to (ii) the aggregate Face Amount of all Affected Claims (including any Inter-company Claim deemed to be an Affected Unsecured Claim pursuant to Section 2.5(c) (including Disputed Claims, but excluding Disallowed Claims)) in such class less (x) the aggregate Face Amount of all Affected Claims settled, compromised, released or otherwise dealt with in accordance with Subsections 2.4(a)(i), 2.4(b)(i), 2.4(c)(i), 2.4(d)(i), 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), 2.4(h)(i), 2.4(i)(i), 2.4(j)(i) and 2.4(k)(i), as the case may be, and (y) the aggregate Face Amount of all Affected Claims fully paid pursuant to Section 3.7;

"Proof of Claim" has the meaning ascribed to such term in the Claims Procedure Orders;

"Proven Claim" means, in respect of an Affected Unsecured Creditor, the amount or any portion of the amount of the Affected Claim of such Affected Unsecured Creditor as finally determined for distribution purposes in accordance with the provisions of the CCAA Plan, the CCAA, the Claims Procedure Orders and any other applicable Orders;

"Proven Secured Claim" means the amount of a Secured Claim as agreed by the Applicants or as finally determined in accordance with the provisions of the CCAA Plan, the CCAA, the Claims Procedure Orders and any other applicable Orders;

"Recycling" means Donohue Recycling Inc.;

"Recycling Affected Unsecured Claim" means any Affected Claim against Recycling, including any 15.5% Senior Unsecured Notes Claim against Recycling;

"Recycling Affected Unsecured Creditor" means any creditor that is the Holder of a Recycling Affected Unsecured Claim;

"Recycling Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against Recycling for the purposes of considering and voting on this

CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the Recycling Affected Unsecured Creditors;

"Reduced Base Salary" has the meaning ascribed to such term in Subsection 6.8(b);

"Released Parties" has the meaning ascribed to such term in Subsection 6.10(b);

"Reorganized ABH" means, on and after the Implementation Date, ABH as reorganized under the U.S. Plan;

"Reorganized Debtors" means, on or after the Final Restructuring Transactions Time, collectively, all of the Applicants and Partnerships (or their respective successors) remaining under and pursuant to this CCAA Plan, including the Restructuring Transactions;

"Required Majority" means, in respect of any Affected Unsecured Creditor Class, the affirmative vote of a majority in number in such Affected Unsecured Creditor Class having Voting Claims and voting on its Resolution (in person or by proxy) at the Creditors' Meeting in respect of such Affected Unsecured Creditor Class and representing not less than 66⅔% in value of the Voting Claims voting (in person or by proxy) at such Creditors' Meeting;

"Resolution" means, in respect of an Affected Unsecured Creditor Class, the resolution for such Affected Unsecured Creditor Class substantially in the form attached as Appendix B to the Circular, providing for the approval of the CCAA Plan by the Affected Unsecured Creditors comprised in such Affected Unsecured Creditor Class;

"Restructuring Claim" has the meaning ascribed to such term in the Third Claims Procedure Order;

"Restructuring Recognition Award" has the meaning ascribed to such term in Subsection 6.8(c);

"Restructuring Transactions" means those steps and transactions necessary or desirable to give effect to the transactions contemplated herein and in the Restructuring Transaction Notice, which steps and transactions may include one or more incorporations, mergers, amalgamations, consolidations, arrangements, continuations, restructurings, conversions, liquidations, windings-ups, dissolutions, transfers, reorganizations, repayments, redemptions, exchanges, cancellations, discharges or other transactions (including the release of certain funds that were set aside temporarily in ULC);

"Restructuring Transactions Notice" means one or more notices setting out and detailing substantially all of the Restructuring Transactions to be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date with notice of such posting in each instance forthwith provided to the Service List (as such notice may be thereafter modified, amended, varied or supplemented in accordance with this CCAA Plan and the U.S. Plan) provided that a final restated Restructuring Transaction Notice will be posted on the Monitor's Website no later than on the Implementation Date with notice of such posting forthwith provided to the Service List;

"Rights Offering" has the meaning ascribed to such term in Subsection 6.1(a)(vi);

"Rights Offering Pro Rata" means, as at the applicable Rights Offering record date, the proportion that (i) the Voting Claims of an Affected Unsecured Creditor in a particular class bears to (ii) the aggregate Voting Claims of all Affected Unsecured Creditors in such particular class;

"Rights Offering Notes" has the meaning ascribed to such term in Subsection 6.1(a)(vi);

"Saguenay Forest Products" means Saguenay Forest Products Inc.;

"Saguenay Forest Products Affected Unsecured Claim" means any Affected Claim against Saguenay Forest Products, including any 15.5% Senior Unsecured Notes Claim against Saguenay Forest Products;

"Saguenay Forest Products Affected Unsecured Creditor" means any creditor that is the Holder of a Saguenay Forest Products Affected Unsecured Claim;

"Saguenay Forest Products Affected Unsecured Creditor Class" means the class of creditors grouped in accordance with their Affected Claims against Saguenay Forest Products for the purposes of considering and voting on this CCAA Plan in accordance with the provisions of this CCAA Plan and receiving distributions hereunder, such class being comprised solely of the Saguenay Forest Products Affected Unsecured Creditors;

"Sanction Order" means the Order by the Court sanctioning the CCAA Plan pursuant to the CCAA, Section 191 of the CBCA and such other Sections and legislation to be set forth in the Restructuring Transaction Notice as such Order may be amended, or supplemented from time to time;

"Search Committee" has the meaning ascribed to such term in Section 6.15;

"Second Claims Procedure Order" means the Order of the Court dated January 18, 2010 establishing, among other things, procedures for reviewing and determining Claims;

"Secured Claim" means any: (i) ACCC Term Loan Claim; (ii) BCFPI Secured Bank Claim; (iii) Canadian Secured Notes Claim; or (iv) Claim, other than a CCAA Charge, which is secured by a Lien on the property of the Applicants, which Lien is valid, perfected and enforceable pursuant to applicable Laws or by reason of an Order, to the extent of the value of such property, as of the Implementation Date or such other date as is established by the Court;

"Securitization Claims" means any Claim arising under or relating to the Securitization Facility;

"Securitization Facility" means the receivables securitization facility made available to certain Subsidiaries of ABH pursuant to that certain Second Amended and Restated Receivables Purchase Agreement, dated as of June 16, 2009, as amended, among Abitibi-Consolidated U.S. Funding Corp., as the seller, ACI and Abitibi Consolidated Sales Corporation, as originators, Abitibi Consolidated Sales Corporation, as servicer, ACI, as subservicer, Citibank, N.A., as agent, and the banks named therein, and the other Transaction Documents (as defined therein);

"Service List" means the service list posted on the Monitor's Website, as may be amended from time to time;

"Servicer" means any indenture trustee, agent or servicer that administers any agreement that governs the rights of a Holder of an Affected Claim;

"Stay Termination Date" has the meaning ascribed to such term in the Initial Order;

"STIPs" has the meaning ascribed to such term in Subsection 6.8(b);

"Subscription Rights" means the rights granted in connection with the Rights Offering to each Affected Unsecured Creditor who does not receive a Cash distribution pursuant to Subsections 2.4(a)(i), 2.4(b)(i), 2.4(c)(i), 2.4(d)(i), 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), 2.4(h)(i), 2.4(i)(i), 2.4(j)(i) or 2.4(k)(i);

"Subsequent Claim" has the meaning ascribed to such term in the Third Claims Procedure Order;

"Supplemental Distribution" has the meaning ascribed to such term in Section 3.7;

"Section 1145 Cutback" has the meaning ascribed to such term in Subsection 6.1(a)(vi);

"Taxes" means any and all taxes, duties, fees, pending assessments, reassessments and other governmental charges, duties, impositions and liabilities of any kind whatsoever (including any Claims by Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any Province or Territory of Canada, the Canada Revenue Agency and any similar revenue or taxing authority, including any municipality, of any Province or Territory of Canada), including all interest, penalties, fines and additions with respect to such amounts;

"Term Loan Exit Financing Facility" means the senior secured term loan facility, that may take the form of a loan, high-yield notes, bridge facility or other loan arrangement, to be entered into by the Reorganized Debtors and the lender(s) thereunder as contemplated in Section 6.11 of the U.S. Plan, pursuant to such documentation, or a summary thereof, as shall be set forth in (i) a CCAA Plan Supplement, or (ii) such other notice and in such form as determined by the U.S. Debtors and the Applicants, each of which will be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date with notice of such posting forthwith provided to the Service List (as such notice may be thereafter modified, amended, varied or supplemented in accordance with this CCAA Plan);

"Terminated Employee Plans" has the meaning ascribed to such term in Section 6.9;

"Terminated Retirement Plans" has the meaning ascribed to such term in Section 6.9;

"Third Claims Procedure Order" means the Order of the Court dated February 23, 2010 establishing, among other things, procedures for soliciting, reviewing and determining applicable claims and Restructuring Claims;

"**TSX**" means the Toronto Stock Exchange, a division of TSX Inc., through which the senior listing operations of TMX Group Inc. are conducted;

"**ULC**" means 3239432 Nova Scotia Company;

"**ULC DIP Claim**" means any and all Obligations of the borrowers and guarantors of ULC pursuant to the ULC DIP Facility Documents or the Initial Order as of the Implementation Date;

"**ULC DIP Facility Documents**" means that certain Letter Loan Agreement, dated as of December 9, 2009 (as amended, or supplemented from time to time) by and between ACI and ULC together with any related collateral, loan, or security documents executed in connection therewith or which relate thereto;

"**Unaffected Creditor**" means any Creditor with Excluded Claims, in respect of and to the extent of those Excluded Claims;

"**Unions**" has the meaning ascribed to such term in the Second Claims Procedure Order;

"**Unsecured Creditors' Committee**" means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases by the Office of the United States Trustee on or about April 28, 2009, pursuant to Section 1102 of the Bankruptcy Code, as reconstituted from time to time;

"**Unsubscribed Notes**" has the meaning ascribed to such term in the Backstop Commitment Agreement;

"**U.S. Debtors**" means ABH, AbitibiBowater US Holding 1 Corp., AbitibiBowater US Holding LLC, AbitibiBowater Canada, Abitibi-Consolidated Alabama Corporation, Abitibi-Consolidated Corporation, ACF LP, Abitibi Consolidated Sales Corporation, Alabama River Newsprint Company, Augusta Woodlands, LLC, Bowater Alabama LLC, Bowater America Inc., BCFC, BCFPI, BCHI, Bowater Canadian Limited, Bowater Finance Company Inc., Bowater Finance II LLC, Bowater, Bowater LaHave Corporation, Bowater Maritimes, Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Bowater South American Holdings Incorporated, Bowater Ventures Inc., Catawba Property Holdings, LLC, Coosa Pines Golf Club Holdings LLC, Donohue Corp., Lake Superior Forest Products Inc. and Tenex Data Inc., ABH LLC 1 and ABH Holding Company Inc.;

"**U.S. Plan**" means the plan of reorganization of the U.S. Debtors dated May 24, 2010 as may be further amended, varied or supplemented from time to time in accordance with the terms thereof, which U.S. Plan can be obtained through the Monitor's Website;

"**Voting Claim**" means, in respect of an Affected Unsecured Creditor, the Canadian dollar amount of the Affected Claim of such Affected Unsecured Creditor accepted for purposes of voting at any Creditors' Meeting, in accordance with the provisions of the Creditors' Meeting Order and the Cross-border Voting Protocol; and

"**Voting Record Date**" means September 7, 2010 or such other date as may be determined by the Monitor.

1.2 Interpretation, etc.

For purposes of this CCAA Plan:

- (a) any reference in this CCAA Plan to a contract, instrument, release, indenture, agreement or other document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference in this CCAA Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be modified, amended, varied or supplemented;
- (c) all references to (i) currency and to "\$" or "Cdn\$" are to Canadian dollars and (ii) to "US\$" are to United States dollars, except as otherwise indicated;
- (d) all references in this CCAA Plan to Articles, Sections, Subsections and Schedules are references to Articles, Sections, Subsections and Schedules of or to this CCAA Plan;
- (e) unless otherwise specified, the words "hereof", "herein" and "hereto" refer to this CCAA Plan in its entirety rather than to any particular portion of this CCAA Plan;
- (f) the division of this CCAA Plan into Articles, Sections, Subsections, Schedules, and paragraphs and the insertion of captions and headings to Articles, Sections, Subsections, Schedules and paragraphs are for convenience of reference only and are not intended to affect the interpretation of, or to be part of this CCAA Plan;
- (g) where the context requires, a word or words importing the singular shall include the plural and vice versa and a word or words importing one gender shall include all genders;
- (h) the deeming provisions are not rebuttable and are conclusive and irrevocable;
- (i) the words "includes" and "including" are not limiting; and
- (j) the word "or" is not exclusive.

1.3 Date for any Action

In the event that any date on which any action is required to be taken under this CCAA Plan by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day which is a Business Day.

1.4 Time

All times expressed in this CCAA Plan are prevailing local time Montreal, Québec, Canada unless otherwise stipulated.

1.5 Statutory References

Unless otherwise specified, any reference in this CCAA Plan to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force, from time to time, or any statute or regulations that supplement or supersede such statute or regulations.

1.6 Schedules

The following are the schedules to this CCAA Plan, which are incorporated by reference into this CCAA Plan and form an integral part of it:

Schedule "A" – Applicants

Schedule "B" - Partnerships

Schedule "C" – Affected Unsecured Claims Share Allocation (other than 15.5% Unsecured Notes Claims Share Allocation)

Schedule "D" – 15.5% Senior Unsecured Notes Claims Share Allocation

ARTICLE 2 COMPROMISE AND ARRANGEMENT

2.1 Persons Affected

This CCAA Plan provides for a coordinated restructuring and compromise of Affected Claims against the Applicants. The U.S. Debtors are subject to the Chapter 11 Cases and have filed the U.S. Plan with the Bankruptcy Court. Under this CCAA Plan, the treatment of a Proven Claim against a Cross-border Debtor is intended to be consistent with the treatment of an Allowed Claim (as defined in the U.S. Plan) against same Cross-border Debtor in the U.S. Plan, with the Holder of such Allowed Cross-border Claim, receiving a single recovery on account of such Allowed Cross-border Claim in this CCAA Plan and the U.S. Plan and the aggregate distribution which such Holder of an Allowed Cross-border Claim shall receive, whether under this CCAA Plan or the U.S. Plan or a combination of both, not exceeding the greatest distribution which such Allowed Cross-border Claim would be entitled to receive under this CCAA Plan or the U.S. Plan. This CCAA Plan will become effective on the Implementation Date in accordance with its terms and in the sequence set forth in Section 6.1. Each Affected Claim against the Applicants will be fully and finally compromised or otherwise assigned or transferred in the manner and the sequence as set forth in this CCAA Plan and the Restructuring Transactions Notice. This CCAA Plan shall be binding on and enure to the benefit of the Applicants, the Affected Unsecured Creditors of each Affected Unsecured Creditor Class, the Released Parties, any trustee, agent or other Person acting on behalf of any Affected Unsecured Creditor and such other Persons who have received the benefit of, or are bound by any compromises, waivers, releases or indemnities hereunder.

2.2 Classes of Affected Claims

Subject to Section 4.4, for the purpose of voting on, and distributions pursuant to, this CCAA Plan, the Affected Claims are divided into 20 classes as set out below:

- (a) the ACI Affected Unsecured Creditor Class;
- (b) the ACCC Affected Unsecured Creditor Class;
- (c) the 15.5% Guarantor Applicant Affected Unsecured Creditor Classes, being 10 classes of Affected Unsecured Creditors grouped in accordance with their Affected Claims against each of the 15.5% Guarantor Applicants, which Affected Claims only include 15.5% Senior Unsecured Notes Claims;
- (d) the Saguenay Forest Products Affected Unsecured Creditor Class;
- (e) the BCFPI Affected Unsecured Creditor Class;
- (f) the BCFC Affected Unsecured Creditor Class;
- (g) the AbitibiBowater Canada Affected Unsecured Creditor Class;
- (h) the Bowater Maritimes Affected Unsecured Creditor Class;
- (i) the ACNSI Affected Unsecured Creditor Class;
- (j) the Office Products Affected Unsecured Creditor Class; and
- (k) the Recycling Affected Unsecured Creditor Class.

2.3 Excluded Claims

This CCAA Plan does not affect the following (each, an "Excluded Claim"):

- (a) any Claim, Subsequent Claim or Restructuring Claim secured by the Abitibi Administration Charge, the Bowater Administration Charge, the Abitibi D&O Charge, the Bowater D&O Charge, the ACI DIP Charge, the BI DIP Lenders Charge and the Bowater Adequate Protection Charge (each, a "CCAA Charge Claim");
- (b) any Administrative Claim;
- (c) any Secured Claim;
- (d) any Securitization Claim;
- (e) subject to Subsection 2.5(c), any Inter-company Claim, including those secured by the ACI Inter-company Advances Charge and the BI Inter-company Advances Charge;

- (f) any Claim of an employee of any of the Applicants who was employed by that Applicant as of April 16, 2009, other than Claims by any such employee who was required to file its Proof of Claim prior to April 7, 2010 or any applicable subsequent Claim Bar Date, pursuant to and in accordance with the Third Claims Procedure Order (the "**Excluded Employee Claims**");
- (g) any Post-filing Claim;
- (h) any Insured Claim that is not a Proven Claim but only to the extent of the coverage available to the Applicants under any applicable Insurance Contract (excluding any applicable deductible);
- (i) any Government Priority Claim; and
- (j) any Claim, Subsequent Claim or Restructuring Claim ordered by the Court to be treated as an Excluded Claim for the purpose of this CCAA Plan.

Creditors with Excluded Claims will not be entitled to vote at any Creditors' Meeting or receive any distributions under this CCAA Plan in respect of the portion of their Claims which is an Excluded Claim. Nothing in this CCAA Plan shall affect the Applicants' rights and defences, both legal and equitable, with respect to any Excluded Claim including any rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Excluded Claims.

2.4 Treatment of Affected Claims

(a) Compromise of ACI Affected Unsecured Claims.

- (i) Each ACI Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such ACI Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the ACI Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against ACI, a distribution as set forth in Subsection 2.4(a)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no ACI Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set

forth in Subsection 2.4(a)(ii) after receipt by the Monitor of such completed Election Notice.

- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each ACI Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(a)(i) above will, in full and final satisfaction of its Proven Claim against ACI, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against ACI in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACI, provided, however, that each ACI Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against ACI will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of ACI in Schedule "D" hereto, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACI.

(b) Compromise of ACCC Affected Unsecured Claims.

- (i) Each ACCC Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such ACCC Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the ACCC Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against ACCC, a distribution as set forth in Subsection 2.4(b)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no ACCC Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(b)(ii) after receipt by the Monitor of such completed Election Notice.

- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each ACCC Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(b)(i) above against ACCC will, in full and final satisfaction of its Proven Claim against ACCC, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against ACCC in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACCC, provided, however, that each ACCC Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Notes Claim against ACCC will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of ACCC in Schedule "D" hereto, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACCC.
- (c) **Compromise of 15.5% Guarantor Applicant Affected Unsecured Claims.**
 - (i) Each 15.5% Guarantor Applicant Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate, and for the purposes hereof deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such 15.5% Guarantor Applicant Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the 15.5% Guarantor Applicant Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against the 15.5% Guarantor Applicants, a distribution as set forth in Subsection 2.4(c)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no 15.5% Guarantor Applicant Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(c)(ii) after receipt by the Monitor of such completed Election Notice.

- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each 15.5% Guarantor Applicant Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(c)(i) above against any 15.5% Guarantor Applicant will, in full and final satisfaction of its Proven Claim against such 15.5% Guarantor Applicant, ultimately receive (A) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of such 15.5% Guarantor Applicant in Schedule "D" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to each 15.5% Guarantor Applicant.
- (d) **Compromise of Saguenay Forest Products Affected Unsecured Claims.**
- (i) Each Saguenay Forest Products Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such Saguenay Forest Products Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Saguenay Forest Products Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against Saguenay Forest Products, a distribution as set forth in Subsection 2.4(d)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Saguenay Forest Products Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(d)(ii) after receipt by the Monitor of such completed Election Notice.
 - (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each Saguenay Forest Products Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(d)(i) above will, in full and final satisfaction of its Proven Claim against Saguenay Forest Products, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against Saguenay Forest Products in Schedule "C" hereto, subject to

Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Saguenay Forest Products, provided, however, that each Saguenay Forest Products Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against Saguenay Forest Products will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of Saguenay Forest Products in Schedule "D" hereto, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Saguenay Forest Products.

(e) Compromise of BCFPI Affected Unsecured Claim.

- (i) Each BCFPI Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such BCFPI Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the BCFPI Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against BCFPI, a distribution as set forth in Subsection 2.4(e)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no BCFPI Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(e)(ii) after receipt by the Monitor of such completed Election Notice.
- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each BCFPI Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(e)(i) above will, in full and final satisfaction of its Proven Claim against BCFPI, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against BCFPI in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the

Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to BCFPI.

(f) Compromise of BCFC Affected Unsecured Claims.

- (i) Each BCFC Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such BCFC Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the BCFC Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against BCFC, a distribution as set forth in Subsection 2.4(f)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no BCFC Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(f)(ii) after receipt by the Monitor of such completed Election Notice.
- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each BCFC Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(f)(i) above will, in full and final satisfaction of its Proven Claim against BCFC, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against BCFC in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to BCFC.

(g) Compromise of AbitibiBowater Canada Affected Unsecured Claims.

- (i) Each AbitibiBowater Canada Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed

conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such AbitibiBowater Canada Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the AbitibiBowater Canada Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against AbitibiBowater Canada, a distribution as set forth in Subsection 2.4(g)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no AbitibiBowater Canada Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(g)(ii) after receipt by the Monitor of such completed Election Notice.

- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each AbitibiBowater Canada Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(g)(i) above will, in full and final satisfaction of its Proven Claim against AbitibiBowater Canada, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against AbitibiBowater Canada in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to AbitibiBowater Canada.

(h) Compromise of Bowater Maritimes Affected Unsecured Claims.

- (i) Each Bowater Maritimes Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such Bowater Maritimes Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Bowater Maritimes Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against Bowater Maritimes, a distribution

as set forth in Subsection 2.4(h)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Bowater Maritimes Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(h)(ii) after receipt by the Monitor of such completed Election Notice.

- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each Bowater Maritimes Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(h)(i) above will, in full and final satisfaction of its Proven Claim against Bowater Maritimes, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against Bowater Maritimes in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Bowater Maritimes.

(i) Compromise of ACNSI Affected Unsecured Claims.

- (i) Each ACNSI Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such ACNSI Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the ACNSI Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against ACNSI, a distribution as set forth in Subsection 2.4(i)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no ACNSI Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(i)(ii) after receipt by the Monitor of such completed Election Notice.

- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each ACNSI Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(i)(i) above will, in full and final satisfaction of its Proven Claim against ACNSI, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against ACNSI in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights, provided, however, that each ACNSI Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against ACNSI will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of ACNSI in Schedule "D" hereto, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACNSI.
- (j) **Compromise of Office Products Affected Unsecured Claims.**
 - (i) Each Office Products Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such Office Products Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Office Products Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against Office Products, a distribution as set forth in Subsection 2.4(j)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Office Products Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(j)(ii) after receipt by the Monitor of such completed Election Notice.
 - (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each Office Products Affected Unsecured Creditor with a Proven

Claim who does not receive a Cash distribution pursuant to Subsection 2.4(j)(i) above will, in full and final satisfaction of its Proven Claim against Office Products, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against Office Products in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights, provided, however, that each Office Products Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against Office Products will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of Office Products in Schedule "D" hereto, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Office Products.

(k) Compromise of Recycling Affected Unsecured Claims.

- (i) Each Recycling Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) or (B) reduced, for distribution purposes only, to Cdn\$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US\$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn\$3,036.50 (being 50% of Cdn\$6,073), unless in the case of clause (A), such Recycling Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Recycling Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against Recycling, a distribution as set forth in Subsection 2.4(k)(ii). To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Recycling Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in Subsection 2.4(k)(ii) after receipt by the Monitor of such completed Election Notice.
- (ii) In accordance with the other provisions of this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each Recycling Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to Subsection 2.4(k)(i) above will, in full and final satisfaction of its Proven Claim against

Recycling, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against Recycling in Schedule "C" hereto, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights, provided, however, that each Recycling Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against Recycling will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of Recycling in Schedule "D" hereto, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Recycling.

2.5 No Vote Occurrence

- (a) Unless otherwise set forth herein, Affected Unsecured Creditors in any Affected Unsecured Creditor Class that fails to approve this CCAA Plan by the affirmative vote of the Required Majority or in respect of which this CCAA Plan is not sanctioned by the Court (each, a "**No Vote Occurrence**"), shall be deemed to be Unaffected Creditors in respect of their Claims against that No Vote Applicant for the purposes of this CCAA Plan.
- (b) In the event of a No Vote Occurrence, each Applicant affected by such No Vote Occurrence (each, a "**No Vote Applicant**") or any other Applicant or Partnership may undertake, at its sole and absolute discretion, any transactions necessary for such No Vote Applicant's equity or other interests in any other Applicant or Partnership to be changed, exchanged, cancelled, redeemed, reorganized, transferred or otherwise dealt with, for NIL consideration.
- (c) In the event of a No Vote Occurrence, any Inter-company Claim held by a No Vote Applicant shall be deemed to be an Affected Unsecured Claim for the purposes of this CCAA Plan and shall be compromised pursuant to the applicable provisions of Section 2.4, even though such No Vote Applicant shall not have voted in respect of the CCAA Plan.

ARTICLE 3 TREATMENT OF UNAFFECTED CREDITORS

3.1 CCAA Charge and Administrative Claims

Except as provided in Section 3.4 in respect of the BI DIP Claims, Holders of CCAA Charge Claims shall receive full payment in Cash of such Claims at such times and in such amounts as may be determined by the Monitor or the Court from time to time. Except as otherwise specifically provided in this CCAA Plan or the U.S. Plan, the Holders of Administrative Claims shall receive full payment in Cash of such Claims in accordance with the principles set out in the U.S. Plan. In addition, to the extent any obligation that would otherwise constitute an Administrative Claim is paid as a CCAA Charge under this CCAA Plan,

such payment shall be the only payment to be made on account of such Administrative Claim in the CCAA Proceedings and the Chapter 11 Cases.

3.2 Secured Claims

On the Implementation Date, Holders of Secured Claims (a) shall receive full payment in Cash of their applicable Proven Secured Claims (other than their Proven Secured Claims in respect of any BCFPI Secured Bank Letters of Credit), and (b) in respect of any BCFPI Secured Bank Letters of Credit either (i) the Holders of Secured Claims shall receive on, or as soon as practicable after, but in any event not later than five (5) Business Days after, the Implementation Date, Cash collateral in the aggregate face amount of the BCFPI Secured Bank Letters of Credit plus an amount sufficient to cover all fees for the term of each BCFPI Secured Bank Letters of Credit and in the currency of such BCFPI Secured Bank Letters of Credit, (ii) the BCFPI Administrative Agent shall have received undrawn the original BCFPI Secured Bank Letters of Credit marked "cancelled" and such BCFPI Secured Bank Letters of Credit shall be extinguished, or (iii) the Holders of Secured Claims shall receive treatment with respect to the BCFPI Secured Bank Letters of Credit on such other terms the Applicants and Holders of such Secured Claims may agree, provided that in no event shall any shares of New ABH Common Stock be distributed on account of or in respect of the BCFPI Secured Bank Letters of Credit.

3.3 Securitization Claims

On the Implementation Date, in accordance with the U.S. Plan, all outstanding receivable interests purchased under the Securitization Facility will be repurchased in Cash for a price equal to the par amount thereof plus accrued and unpaid yield and fees and servicer fees payable under the Securitization Facility, and any unpaid fees and expenses or other amounts payable under the Securitization Facility whether by an Applicant or an affiliate of the Applicants, and any and all Securitization Claims shall be paid in full in Cash. On the Implementation Date, after all such receivable interests are repurchased and all such payments are made, the Securitization Facility shall be terminated, and all Securitization Claims shall be deemed fully satisfied and released.

3.4 BI DIP Lender Claims and ULC DIP Lender Claims

On the Implementation Date, the BI DIP Lenders, the BI DIP Agent and ULC shall receive full payment in Cash of their applicable BI DIP Claims and ULC DIP Claims.

3.5 Inter-company Claims

Subject to Section 2.5(c), at the sole and absolute discretion of the Applicants or the Partnerships, any and all Inter-company Claims may be ratified, in whole or in part, by the Applicants or the Partnerships, and treated in the ordinary course of business, amended, repaid, cancelled or discharged, in whole or in part, in the manner and the sequence as set forth in the Restructuring Transactions Notice, provided, however, that any such elections by the Applicants or the Partnerships hereunder or under the Restructuring Transactions Notice shall not impact any recoveries under this CCAA Plan.

3.6 Deemed Unaffected Creditors

Affected Unsecured Creditors deemed to be Unaffected Creditors pursuant to Subsection 2.5(a) shall not be entitled to receive any distribution under this CCAA Plan.

3.7 Government Priority Claims

Within six (6) months after the Sanction Order, the Applicants will pay in full all Government Priority Claims.

3.8 Supplemental Distribution

The Applicants shall, as soon as practicable on or after the Implementation Date, make a supplemental distribution in Cash (the "**Supplemental Distribution**") in a maximum individual amount to be determined by the Applicants, in consultation with the Monitor, to such present or former employees: (i) who were employed by the Applicants, other than the Cross-border Debtors, on or after the Date of Filing; and (ii) who are holding an Affected Unsecured Claim that is a Proven Claim; provided, however, that the aggregate amount payable hereunder shall not exceed Cdn\$ 5 million. No later than ten (10) days prior to the Implementation Date, the Applicants, other than the Cross-border Debtors, shall determine, in consultation with the Monitor, the employees who shall be entitled to receive such Supplemental Distribution (the "**Distribution Eligible Employees**") and the amount of the Supplemental Distribution to be allocated to each Distribution Eligible Employee, provided, however, that (i) no Distribution Eligible Employee shall have a right of review or appeal in respect of such allocation which shall, for all purposes, be final and binding upon the Distribution Eligible Employees, and (ii) any Affected Claim of each Distribution Eligible Employee shall, for distribution purposes under this CCAA Plan, be reduced by the amount of such Distribution Eligible Employee's Supplemental Distribution.

3.9 Monitor's Fees and Expenses

The Monitor's fees and expenses, including the fees and disbursements of its counsel, shall be paid from time to time by the Applicants.

3.10 No Distribution of New ABH Common Stock to Unaffected Creditors

Under no circumstances, including under this CCAA Plan or the U.S. Plan, shall Unaffected Creditors receive a distribution of shares of New ABH Common Stock.

3.11 Exchangeable Shares

The Exchangeable Shares together with all ancillary documents in connection therewith or which relate thereto, including the amended and restated support agreement among ABH, BCHI, AbitibiBowater Canada and Bowater and the amended and restated voting and exchange trust agreement among AbitibiBowater Canada, BCHI, ABI, Bowater and Computershare Trust Company of Canada (or any successor trustee), shall be cancelled and terminated, as the case may be, in the manner and the sequence as set forth in the Restructuring Transactions Notice

and the holders of Exchangeable Shares shall not be entitled to receive any distribution, consideration or other compensation on account thereof.

3.12 Equity Securities

The Equity Securities may, at the sole discretion of the Applicants or the Partnerships, be preserved, amended, cancelled or otherwise dealt with, in whole or in part, in the manner and the sequence as set forth in the Restructuring Transactions Notice and the holders of such Equity Securities shall not be entitled to receive any distribution, consideration or other compensation on account thereof.

ARTICLE 4 VALUATION OF AFFECTED CLAIMS, CREDITORS' MEETINGS AND RELATED MATTERS

4.1 Conversion of Affected Claims into Canadian Currency

For purposes of determination of the value of Affected Claims denominated in currencies other than Canadian dollars for voting and distribution purposes:

- (a) any Affected Claim, other than those contemplated in Subsection 4.1(b), shall be converted by the Monitor to Canadian dollars at the Date of Filing, Exchange Rate; and
- (b) any Affected Claim arising as a result of or in connection with the repudiation, termination or restructuring of the Applicants of any contract, lease or obligations shall be converted by the Monitor to Canadian dollars at the Bank of Canada noon spot rate of exchange for exchanging the relevant currency to Canadian dollars on the date of notice of the event which gave rise to such repudiation, termination or restructuring.

4.2 Affected Claims

Affected Unsecured Creditors shall be entitled to prove their respective Affected Claims, vote their Voting Claims in respect of the CCAA Plan, and if their Claims become Proven Claims receive the distributions provided for, pursuant to the Claims Procedure Orders, the Cross-border Claims Protocol, the Cross-border Voting Protocol, the Creditors' Meeting Order and this CCAA Plan.

4.3 Creditors' Meetings

The Creditors' Meeting held in respect of each Affected Unsecured Creditors Class shall be held in accordance with this CCAA Plan, the Creditors' Meeting Order and any further Order which may be made from time to time for the purposes of, among other things, considering and voting on the Resolution of such Affected Unsecured Creditor Class or other matters to be considered at such Creditors' Meeting.

4.4 Approval by each Affected Unsecured Creditor Class

The Applicants will seek approval of the CCAA Plan by the affirmative vote of the Required Majorities of the Affected Unsecured Creditors with Voting Claims in each Affected Unsecured Creditor Class. Any resolution, including the Resolution in respect of each of the Affected Unsecured Creditors Classes, to be voted on at any Creditors' Meeting in respect of the CCAA Plan will be decided by the Required Majorities on a vote by ballot, and any other matter submitted for a vote at any Creditors' Meeting shall be decided by a majority of votes cast on a vote by a show of hands, unless the Chair decides, in his sole and absolute discretion, to hold such vote by way of ballot, provided, however, that each vote of a 15.5% Senior Unsecured Notes Creditor by way of ballot or show of hands in respect of the ACCC Affected Unsecured Creditor Class shall be deemed to be a vote in respect of such 15.5% Senior Unsecured Notes Creditor's 15.5% Senior Unsecured Notes Claims comprised in each of the ACI Affected Unsecured Creditor Class, Saguenay Forest Products Affected Unsecured Creditor Class, ACNSI Affected Unsecured Creditor Class, Office Products Affected Unsecured Creditor Class, Recycling Affected Unsecured Creditor Class and 15.5% Guarantor Applicant Affected Unsecured Creditor Classes. The result of any vote will be binding on all Affected Unsecured Creditors in the relevant Affected Unsecured Creditor Class, whether or not any such Affected Unsecured Creditor is present and voting (in person or by proxy) at the Creditors' Meeting held in respect of the Affected Unsecured Creditor Class to which it belongs.

4.5 Order to Establish Procedure for Valuing Affected Claims

The procedure for valuing Affected Claims for voting and distribution purposes, and resolving disputes in respect of any such valuation, is set forth in the Claims Procedure Orders, Cross-border Claims Protocol, Cross-border Voting Protocol and the Creditors' Meeting Order. The Applicants and the Monitor reserve the right to seek the assistance of the Court in valuing the Affected Claim of any Affected Unsecured Creditor, if deemed advisable, or in determining the result of any vote on any of the Resolutions or otherwise at any Creditors' Meeting, or the amount, if any, to be distributed to any Affected Unsecured Creditor under the CCAA Plan, as the case may be.

4.6 Affected Claims for Voting Purposes

Each Affected Unsecured Creditor with a Voting Claim shall be entitled to one (1) vote and the weight attributed to such vote (for the purposes of determining the Required Majorities) shall be equal to the aggregate Canadian dollar value of such Affected Unsecured Creditor's Voting Claim (if necessary, converted into Canadian dollars in accordance with Section 4.1).

If the amount of the Affected Claim of any Affected Unsecured Creditor is not resolved for voting purposes on the Voting Record Date in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol, the Cross-border Voting Protocol and the Creditors' Meeting Order, such Affected Unsecured Creditor shall be entitled to vote at the Creditors' Meeting held in respect of the Affected Unsecured Creditor Class to which it belongs based on that portion of its Affected Claim which has been accepted for voting purposes by the Monitor, without prejudice to the rights of the Applicants, or the Affected Unsecured Creditor, with respect to the final determination of the Affected Unsecured Creditor's Affected Claim for

distribution purposes in accordance with the terms of the Claims Procedure Orders, the Creditors' Meeting Order and this CCAA Plan.

Affected Unsecured Creditors whose Affected Claims have been revised or disallowed, in full or in part, which revision or disallowance remains in dispute or under appeal in accordance with the Claims Procedure Orders and the Cross-border Claims Protocol, shall have their voting intentions with respect to such disputed or disallowed amounts recorded by the Monitor and reported to the Court.

4.7 Adjournments

If any Creditors' Meeting is adjourned or postponed by the Chair, in his sole and absolute discretion, or because quorum is not obtained, such Creditors' Meeting will be adjourned, postponed or otherwise rescheduled by the Monitor to such date, time and place as may be decided by the Chair, in his sole and absolute discretion.

4.8 Voting of Proxies

Any Affected Unsecured Creditor's proxy will be voted on any ballot in accordance with the Affected Unsecured Creditor's instruction to vote for or against the approval of such Affected Unsecured Creditor Class' Resolution and any other matters before the Creditors' Meeting held in respect of such Affected Unsecured Creditors Class. In the absence of such instruction, the proxy will be voted for the approval of such Resolution.

Subject to Section 8.4, forms of proxy may confer discretionary authority on the individuals designated therein with respect to amendments or variations of matters identified in the notice of Creditors' Meeting and other matters that may properly come before any Creditors' Meeting.

All matters related to the solicitation of votes for any Creditors' Meeting, the mailing of materials to Affected Unsecured Creditors and the voting procedure and tabulation of votes cast with respect to any Creditors' Meeting shall be as set forth in the Creditors' Meeting Order.

4.9 Claims Bar Dates

If an Affected Unsecured Creditor has failed to file its Proof of Claim prior to the relevant Claims Bar Dates and has not been permitted to file a late Claim pursuant to the Claims Procedure Orders, that Affected Unsecured Creditor shall be forever barred from voting at the Creditors' Meeting held in respect of the Affected Unsecured Creditor Class to which it belongs and from receiving a distribution, and the Applicants shall be released from the Affected Claims of such Affected Unsecured Creditor and Subsection 6.10(b) shall apply to all such Affected Claims.

ARTICLE 5
DISTRIBUTIONS IN RESPECT OF DISPUTED CLAIMS

5.1 No Distributions Pending Allowance

Notwithstanding any other provision of this CCAA Plan, no distributions shall be made with respect to a Disputed Claim unless and until it has become a Proven Claim. Prior to the Implementation Date, Disputed Claims shall be dealt with in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol. Following the Implementation Date, Disputed Claims shall continue to be dealt with in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol.

5.2 Applicants Reserve

As of the Initial Distribution Date, the Monitor, in its capacity as Disbursing Agent, shall establish the Applicants Reserve by holding on account of Disputed Claims, a number of shares of New ABH Common Stock equal to the amount of shares of New ABH Common Stock that the Holders of Disputed Claims would be entitled to receive if all such Disputed Claims had been Proven Claims in their entire amount on the Initial Distribution Record Date. The shares of New ABH Common Stock deposited in the Applicants Reserve shall not be voted by the Monitor, in its capacity as Disbursing Agent and holder of record of such securities, except pursuant to, and in accordance with, an Order of the Court.

5.3 Distributions From Applicants Reserve Once Disputed Claims Resolved

The Monitor, in its capacity as Disbursing Agent, shall make allocations from the Applicants Reserve to Holders of Proven Claims following the Initial Distribution Date in accordance with this CCAA Plan. To the extent that Disputed Claims become Proven Claims after the Initial Distribution Record Date, the Monitor, in its capacity as Disbursing Agent, shall on the applicable Interim Distribution Date or the Final Distribution Date, distribute from the Applicants Reserve to the Holders of such Proven Claims, the shares of New ABH Common Stock which they would have been entitled to receive in respect of such Proven Claims had such Affected Claims been Proven Claims on the Initial Distribution Record Date. To the extent that any Disputed Claim or a portion thereof has become a Disallowed Claim after the Initial Distribution Record Date, then the Monitor, in its capacity as Disbursing Agent, shall distribute on the applicable Interim Distribution Date or the Final Distribution Date, to the Holders of Affected Unsecured Claims that have previously been adjudicated under this CCAA Plan to be Proven Claims, their Pro Rata share from the Applicants Reserve, of such additional shares of New ABH Common Stock kept in the Applicants Reserve on account of such Disallowed Claims, the whole in accordance with the allocation provided in Schedule "C" and Schedule "D" hereto. The Monitor, in its capacity as Disbursing Agent shall make its last distribution on the Final Distribution Date.

ARTICLE 6
IMPLEMENTATION OF THE CCAA PLAN

6.1 CCAA Plan Implementation

(a) CCAA Plan Transactions

Except for the steps and transactions set forth in Subsection 6.1(a)(i), each of the following transactions contemplated by and provided for under this CCAA Plan will be consummated and effected and shall for all purposes be deemed to occur on or before the Final Restructuring Transactions Time. Accordingly, all of the appropriate documents, agreements and funding necessary to implement all such transactions must be in place and be final and irrevocable prior to the Implementation Date to be held in escrow until their release without any further act or formality, except as provided in the Sanction Order.

- (i) **Restructuring Transactions.** Each of the steps and transactions comprising the Restructuring Transactions shall be effected in the manner and the sequence as set forth in the Restructuring Transactions Notice.
- (ii) **Exit Loan Facilities.** The Reorganized Debtors will enter into definitive documentation, in a form and in substance satisfactory to the Applicants, with respect to the Exit Loan Facilities in an aggregate amount up to (A) US\$2.3 billion, less (B) cash on hand and proceeds from the Rights Offering. The Applicants will borrow funds under the Exit Loan Facilities in amounts which, together with such other Cash as is then available to the Applicants, will be sufficient to make all Cash distributions to be made under this CCAA Plan and the U.S Plan.
- (iii) **Payment of Certain Excluded Claims.** The Excluded Claims that pursuant to this CCAA Plan are required to be paid on the Implementation Date shall be paid in full as set forth in this CCAA Plan.
- (iv) **New ABH Common Stock.** The shares of New ABH Common Stock to be distributed to Affected Unsecured Creditors will be delivered in accordance with this CCAA Plan, including the Restructuring Transactions.
- (v) **Compromise of Debt.** The Affected Claims will be settled, compromised, released or otherwise dealt with in accordance with this CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice.
- (vi) **Rights Offering.** In accordance with the terms of the Backstop Commitment Agreement, the Applicants may implement a rights offering (the "Rights Offering") for the issuance of convertible unsecured subordinated notes (the "Rights Offering Notes"), on the terms set out in the Backstop Commitment Agreement, including Exhibit "C" thereto. The

Rights Offering Notes will be (A) in an aggregate principal amount not to exceed US\$500 million in accordance with the terms of the Backstop Commitment Agreement, and (B) made available to certain Affected Unsecured Creditors in the Chapter 11 Cases and the CCAA Proceedings on the Implementation Date. As contemplated by the Backstop Commitment Agreement, the amount of the Rights Offering Notes may be increased by up to US\$110 million of Escrowed Notes which could be issued by Reorganized ABH under the U.S. Plan in respect of unresolved Claims against certain U.S. Debtors as of the Implementation Date. In accordance with the terms of the Backstop Commitment Agreement, the number of Rights Offering Notes (and Escrowed Notes) for which any Eligible Holder may subscribe in the Rights Offering may be decreased by the Applicants and the Reorganized Debtors to the extent required by the Bankruptcy Court, to allow the Rights Offering to be exempt from registration under the Securities Act of 1933 pursuant to Section 1145 of the Bankruptcy Code (the "**Section 1145 Cutback**"). Where permitted under the terms of the Backstop Commitment Agreement, the Applicants shall be authorized to implement procedures, and amend, supplement, modify or enter into agreements and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Rights Offering, and effectuate the distribution of the Rights Offering Notes, without any further Order. Any Rights Offering Notes excluded from the Rights Offering due to a Section 1145 Cutback will instead be offered to the Backstop Parties for purchase on or before the Implementation Date as Unsubscribed Notes in accordance with the terms of the Backstop Commitment Agreement.

- (vii) **Reserve for Disputed Claims.** The Applicants Reserve will be established.
- (viii) **CCAA Charges Cancelled.** The CCAA Charges will be cancelled, provided that the BI DIP Lenders Charge shall be cancelled on the condition that the BI DIP Claims are paid in full on the Implementation Date.
- (ix) **Expiry of the Stay Period.** The Stay Termination Date will occur.

6.2 Restructuring Transactions

The Applicants shall take actions as may be necessary or appropriate to effect the Restructuring Transactions as set forth in the Restructuring Transactions Notice, including all of the transactions described in this CCAA Plan and the U.S. Plan and the transactions necessary or appropriate to simplify the Applicants' and the Partnerships' structure and to effect a restructuring of their respective businesses. Such actions may include: (i) the execution and delivery of appropriate articles, agreements or other documents of incorporation, merger, amalgamation, consolidation, arrangement, continuation, restructuring, exchange, conversion, liquidation, winding-up, dissolution, transfer, reorganization, repayments, cancellations, discharges or other transactions containing terms that are consistent with the terms of this

CCAA Plan and the U.S. Plan; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption, including, where applicable, with respect to the assumption of liabilities upon the transfer or assignment of assets or liquidation or winding-up of any Applicant or Partnership, guarantee, or delegation of any property, right, privilege, liability, duty or obligation on terms consistent with the terms of this CCAA Plan or the U.S. Plan in each case without the need to obtain any consent by any Person; (iii) the filing of appropriate articles, agreements or other documents of incorporation, merger, amalgamation, consolidation, arrangement, continuation, restructuring, conversion, liquidation, winding-up, dissolution, transfer, reorganization, repayments, cancellations, discharges or other transactions with the appropriate Governmental Entities under applicable Law; (iv) determining the manner and the sequence in which the Affected Claims are settled, compromised or otherwise dealt with, and (v) all other actions that the Applicants or the Partnerships determine are necessary or appropriate to give effect to the Restructuring Transactions, including the making of filings or recordings in connection with the relevant Restructuring Transactions. The Applicants shall be permitted to implement certain of the Restructuring Transactions after the Implementation Date as contemplated in the Restructuring Transactions Notice. The form of each Restructuring Transaction shall, where applicable, be determined by each of the Applicants, the Partnerships and the U.S. Debtors and their successors party to any Restructuring Transaction, and shall be approved by the Monitor, provided, however, that the Applicants, the Partnerships and the U.S. Debtors reserve the right to undertake transactions in lieu of or in addition to such Restructuring Transactions as the Applicants, the Partnerships and the U.S. Debtors may deem necessary or appropriate under the circumstances and as approved by the Monitor and provided, further, that ULC shall continue as a separate entity, with all the powers of an unlimited liability company in accordance with the applicable Law of its jurisdiction of incorporation and pursuant to its constating documents in effect prior to the Implementation Date. Notwithstanding the foregoing or any other provision of this CCAA Plan, the implementation of any of the Restructuring Transactions or other transactions undertaken in accordance with this Section 6.2 shall not affect the distributions under this CCAA Plan or the U.S. Plan.

6.3 Corporate Action

On the Implementation Date and, where applicable, in the sequence as set forth in the Restructuring Transactions Notice, all corporate actions contemplated by this CCAA Plan, including the Restructuring Transactions, shall be deemed to have been authorized and approved in all respects (subject to the provisions of this CCAA Plan). All matters provided for in this CCAA Plan, including the Restructuring Transactions, shall be deemed to have timely occurred, including, where applicable, in the sequence as set forth in the Restructuring Transactions Notice, in accordance with applicable Law, and shall be effective, without any requirement of further action by the creditors, securityholders, directors, officers, managers or partners of any of the Applicants, the Partnerships or Reorganized Debtors. On the Implementation Date, and, where applicable, in the sequence as set forth in the Restructuring Transactions Notice, the appropriate directors and officers of the Applicants, the Partnerships or Reorganized Debtors shall be authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by this CCAA Plan, including with respect to the Restructuring Transactions, in the name of and on behalf thereof.

6.4 Continued Existence and Vesting of Assets in Reorganized Debtors

- (a) On and after the Final Restructuring Transactions Time, after giving effect to each of the Restructuring Transactions contemplated in the Restructuring Transactions Notice, each of the Reorganized Debtors shall continue to exist as a separate entity, with all the powers of a corporation, limited liability company, unlimited liability company, partnership or such other entity, as the case may be, in accordance with the applicable Law in the jurisdiction in which it is incorporated, organized or otherwise formed and pursuant to its constating documents in effect prior to the Implementation Date, except to the extent such Law or documents are amended or changed pursuant to this CCAA Plan, including the Restructuring Transactions, or the U.S. Plan, as applicable, without prejudice to any right to change such documents or Law or terminate such existence thereafter.
- (b) The continued existence, operation and ownership of those affiliates of, or entities related to, the Applicants that are neither Applicants in the CCAA Proceedings nor U.S. Debtors in the Chapter 11 Cases, each of which is a component of the Applicants' businesses, are unaffected, and all of the Applicants' equity or other interests in such non-Applicant and non-U.S. Debtor affiliates and related entities that are assigned or transferred in the manner and the sequence as set forth in the Restructuring Transactions Notice shall vest in the applicable Reorganized Debtor.
- (c) Except as otherwise provided in this CCAA Plan, all property of the Applicants and the Partnerships assigned or transferred in the manner and the sequence as set forth in the Restructuring Transactions Notice, including all claims, privileges, rights (including all rights in any executory contracts, unexpired leases, Timber Supply and Forest Management Agreements (TSFMAs), outstanding and unused volumes of cutting rights (backlog) under any TSFMA, tenure agreements or any other agreements), permits, certificates, licenses, approvals granted by a Governmental Entity and causes of action, shall vest in the applicable Reorganized Debtors free and clear of all Claims and Liens. If such property is not assignable or transferable, it shall be deemed reissued in the name of the applicable Reorganized Debtor free and clear of all Claims and Liens. If the assignment or transfer of such property requires the authorization or consent of a third party, including any Governmental Entity, such authorization or consent shall be deemed to have been obtained.

6.5 CCAA Vesting Order

The Applicants, the Partnerships and the Reorganized Debtors shall be entitled to request one or more CCAA Vesting Order(s) from the Court, which shall provide for the transfer and assignment to the Applicants, the Partnerships or Reorganized Debtors of assets in the manner and the sequence as set forth in the Restructuring Transactions Notice. The Order of the Bankruptcy Court confirming the U.S. Plan pursuant to Section 1129 of the Bankruptcy Code shall constitute the Bankruptcy Court's approval of such transfers and assignments for purposes of the Chapter 11 Cases. The CCAA Vesting Order(s) shall constitute the Court's

approval of such transfers and assignments for purposes of the CCAA Proceedings. The Affected Unsecured Creditors shall be deemed to have consented to such transfers and assignments.

6.6 Dissolution of Certain Applicants and the Partnerships

All Applicants and Partnerships to be dissolved pursuant to the Restructuring Transactions shall be deemed dissolved for all purposes without the necessity for any other or further action by or on behalf of any Person, including the Applicants or the Partnerships or their respective securityholders, directors, officers, managers or partners or for any payments to be made in connection therewith; provided, however, that the Applicants, the Partnerships and the Reorganized Debtors shall cause to be filed with the appropriate Governmental Entities articles, agreements or other documents of dissolution for the dissolved Applicants or Partnerships to the extent required by applicable Law. On and after the Implementation Date, the Applicants or Partnerships and the Reorganized Debtors shall not be required to file any document, or take any other action, to withdraw the business operations of any dissolved Applicants or Partnerships from any jurisdiction in which such Applicants or Partnerships previously conducted their business operations.

6.7 Listing of Shares of New ABH Common Stock

The Applicants shall use their reasonable best efforts to cause the shares of New ABH Common Stock to be listed on the TSX.

6.8 Management and Director Compensation and Incentive Plans and Programs

On or as soon as practicable after the Implementation Date, Reorganized ABH shall adopt and implement (as applicable) the management incentive plans as substantially described herein and in the form set forth in a CCAA Plan Supplement and the management and directors plans, programs and agreements set forth in another CCAA Plan Supplement shall be terminated or repudiated under this CCAA Plan or the U.S. Plan and, to the extent applicable, deemed rejected pursuant to Section 365 of the Bankruptcy Code. The Affected Unsecured Creditors shall be deemed to have approved all such management incentive plans, including the LTIP and the STIPs.

(a) Long-Term Equity Incentive Plan

On or as soon as practicable after the Implementation Date, Reorganized ABH shall adopt and implement the 2010 Long-Term Equity Incentive Plan (the "LTIP"). Reorganized ABH shall reserve 8.5% on a fully diluted basis of the shares of New ABH Common Stock for issuance under the LTIP. Up to 4% of the shares of New ABH Common Stock may be granted on the Implementation Date of which 75% will be granted as options the strike price of which shall be the fair market value of the New ABH Common Stock and 25% will be granted as restricted stock units. For purposes of this Subsection 6.8(a), the fair market value of the New ABH Common Stock shall mean the average of the closing trading price of the New ABH Common Stock during the 30 day period commencing with the first day on which the New ABH Common Stock is listed on the New York Stock Exchange. Pursuant to the LTIP, the Reorganized Debtors shall deliver certain stock options and restricted stock unit grants to

certain directors, members of management and other executive employees on and after the Implementation Date, in such amounts and pursuant to such terms as set forth in the LTIP. The form and substance of the LTIP will be set forth in a CCAA Plan Supplement.

(b) Short-Term Incentive Plans

On or as soon as practicable after the Implementation Date, Reorganized ABH shall adopt and implement the 2010 Short-Term Incentive Plan (the "**2010 STIP**") and the 2011 Short-Term Incentive Plan (the "**2011 STIP**" and together with the 2010 STIP, the "**STIPs**") pursuant to which participants shall be eligible for a target incentive award expressed as a percentage of the individual's base salary as such salary shall be reduced prior to the Implementation Date (the "**Reduced Base Salary**"). Approximately 550 management employees will be eligible for participation in the STIPs, including the Company's top six (6) senior executives. Senior executives will be eligible for a target incentive award of 50% of base salary under the 2010 STIP and 100% of base salary under the 2011 STIP. The target incentive payments for remaining participants under the STIPs will be at a lower percentage level of payment. The STIPs shall be entirely performance-based, and actual earned incentive awards will vary depending on the Company's and Reorganized Debtors' ability to achieve the established targets. Under the 2010 STIP, the Company will base performance targets on the Company's actual EBITDA (net of any STIP payment) against its forecast for the third and fourth quarters of 2010. The Board will determine the Company's performance targets under the 2011 STIP. The material terms of the STIPs will be set forth in a CCAA Plan Supplement.

(c) Restructuring Recognition Award

On and effective as of the Implementation Date, the Company shall adopt and implement a performance driven restructuring recognition plan designed to reward actions and initiatives contributing to a successful and timely reorganization of the Company, by providing selected members of management with one-time cash emergence awards (a "**Restructuring Recognition Award**") in an aggregate value of approximately US\$6 million. Approximately 50 executives, senior managers and managers, who are critical to the Company's performance and successful reorganization efforts, shall be selected to receive a Restructuring Recognition Award equal from 30% to 100% of the recipient's Reduced Base Salary to be paid in Cash at emergence upon approval by the Board. Restructuring Recognition Award recipients shall be required to repay 1/12th of their award for each month during the one-year period following the Implementation Date they were not employed by Reorganized ABH or a Reorganized Debtor, if they either voluntarily resign their employment or are discharged by their employer for "cause".

(d) Executive Severance Policies

On and after the Implementation Date, Reorganized ABH will assume, as amended, executive severance policies for U.S. and Canadian executives, respectively. Severance benefits may be conditioned upon the executive's compliance with certain restrictive covenants, including non-compete restrictions. The material terms of the executive severance policies shall be set forth in a CCAA Plan Supplement.

6.9 Employee Compensation and Benefit Programs

As of the Implementation Date, all of the Applicants' existing pension plans, welfare benefit plans, severance policies and other employee-related plans and programs, including the Applicants' Canadian registered defined benefit and defined contribution plans, set forth in a CCAA Plan Supplement, shall remain in effect, as amended, and the plans and programs set forth in another CCAA Plan Supplement, including all of the Applicants' existing non-qualified and non-registered plans, (such terminated non-qualified and non-registered plans and programs referred to herein as the "**Terminated Retirement Plans**" and all such terminated or rejected plans and programs collectively referred to herein as the "**Terminated Employee Plans**") shall be terminated or repudiated under this CCAA Plan and the U.S. Plan and, to the extent applicable, deemed rejected pursuant to Section 365 of the Bankruptcy Code. After the Implementation Date, the Reorganized Debtors shall have the sole authority to terminate, amend or implement Canadian registered plans, welfare benefit plans and other plans and programs for employees in accordance with the terms of such plans and applicable Law.

Effective as of the Implementation Date, the Applicants and Reorganized Debtors shall establish non-qualified and non-registered plans, agreements or arrangements (the "**New Plans**") pursuant to which, among other things, (a) all employees and beneficiaries in active status as of the Implementation Date who were entitled to benefits under any Terminated Retirement Plans as of the Implementation Date (the "**Eligible Employees**") shall be eligible to receive benefits under the New Plans substantially similar to those benefits available to such employee under the Terminated Retirement Plans, to the extent thereof, provided, however, that: (i) all defined benefits available under the New Plans will be frozen as of the Implementation Date; and (ii) the Eligible Employee must waive and forfeit any and all Claims the Eligible Employee has or may have in the CCAA Proceedings and the Chapter 11 Cases in respect of the Terminated Retirement Plans; and (b) all retirees, beneficiaries and deferred vested participants, as of the Implementation Date, under the Terminated Retirement Plans (the "**Eligible Retirees**") shall be eligible to receive benefits after the Implementation Date substantially similar to those benefits available to such Eligible Retiree under the Terminated Retirement Plans to the extent thereof, without retroactive adjustments; provided, however, (i) that the benefits available to each such Eligible Retiree under the New Plans shall be 10% to 35% lower, depending on the applicable Terminated Retirement Plan, than the benefits available to the Eligible Retiree under the Terminated Retirement Plans at the time of termination thereof, (ii) the benefits available to each such Eligible Retiree under the New Plans shall be subject to an annual per participant cap on benefits in the amounts ranging from US\$40,000 to US\$50,000 (in the aggregate) in the case of defined benefit Terminated Retirement Plans and corresponding caps in the case of defined contribution Terminated Retirement Plans, depending on the applicable Terminated Retirement Plans, this annual cap being further reduced by any secured pension benefits received or to be received in respect of the Terminated Retirement Plans; and (iii) that the Eligible Retiree must waive and forfeit any and all claim such Eligible Retiree has or may have in the CCAA Proceedings and the Chapter 11 Cases in respect of the Terminated Retirement Plans. The material terms of the New Plans shall be set forth in a CCAA Plan Supplement.

The Applicants', the U.S. Debtors' or Reorganized Debtors' performance of any employment agreement, plan or policy that is not a Terminated Employee Plan will not entitle

any Person to any benefit or alleged entitlement under any policy, program, or plan that has expired or been terminated before the Implementation Date, or restore, reinstate, or revive any such benefit or alleged entitlement under any such policy, program or plan. Nothing in this CCAA Plan and the U.S. Plan shall limit, diminish, or otherwise alter the Reorganized Debtors' defenses, claims, causes of action, or other rights with respect to any such contracts, agreements, policies, programs, and plans. Notwithstanding anything to the contrary contained herein, on and after the Implementation Date, all retiree benefits (as that term is defined in Section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable Law.

6.10 CCAA Plan Releases

The following releases will become effective at the Final Restructuring Transactions Time:

(a) Releases by the Applicants and Partnerships

As at the Final Restructuring Transactions Time and subject to the provisions of Subsection 5.1(2) of the CCAA, each Applicant and each Partnership will be deemed to forever release, waive and discharge any and all Obligations (other than the rights of the Applicants and the Partnerships to enforce this CCAA Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered hereunder or pursuant hereto (including with respect to the Restructuring Transactions and the contracts, instruments, releases, indentures and other agreements or documents delivered under the Rights Offering or pursuant thereto)) that are based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the U.S. Debtors, the subject matter of, or the transactions or events giving rise to any Claims, this CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the Rights Offering, the CCAA Proceedings, the Chapter 15 Proceedings and the Chapter 11 Cases that could be asserted by or on behalf of the Applicants or the Partnerships against: (i) present or former directors, officers and employees of the Applicants and the Partnerships, including the Chief Restructuring Officer and any director, officer or employee of any Applicant or Partnership sitting on a committee constituted in connection with the CCAA Proceedings at the request of such Applicant or Partnership, in each case in their respective capacities as of the Implementation Date, (ii) the agents, legal counsel, financial advisors and other professionals of the Applicants and the Partnerships, in each case in their respective capacities as of the Implementation Date, (iii) the Monitor and its legal counsel, (iv) the BI DIP Lenders and the BI DIP Agent, each in their capacities as such, and each of their respective counsel, (v) Citibank, N.A., Barclays Bank PLC and Barclays Capital Inc., in their respective capacities under the Securitization Facility, (vi) the members of, and legal counsel and financial advisors to, the Ad Hoc Unsecured Noteholders Committee, as well as Avenue Capital Management II, L.P. and its managed funds, in their individual

capacities, (vii) the members of, and legal counsel and financial advisors to, the Unsecured Creditors' Committee, (viii) the Indenture Trustees, (ix) the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, (x) the Backstop Parties, each in their capacities as such, and their respective legal counsel and financial advisors, and (xi) where applicable, with respect to each of the above named Persons, such Person's present and former advisors, principals, employees, officers, directors, representatives, financial advisors, legal counsel, accountants, investment bankers, consultants, agents and other representatives or professionals (including the partners of any such professional firm).

(b) Releases by Others

As at the Final Restructuring Transactions Time, (i) the Applicants, (ii) the Partnerships, (iii) the subsidiaries of Reorganized ABH, (iv) the Monitor, (v) the Chief Restructuring Officer, (vi) the BI DIP Lenders and the BI DIP Agent, each in their capacity as such, (vii) Citibank, N.A., Barclays Bank PLC and Barclays Capital Inc., in their respective capacities under the Securitization Facility, (viii) the members of the Ad Hoc Unsecured Noteholders Committee, as well as Avenue Capital Management II, L.P. and its managed funds, in their individual capacities, (ix) the members of the Unsecured Creditors' Committee, (x) the Indenture Trustees, (xi) the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, (xii) the Backstop Parties, each in their capacities as such, and their respective legal counsel and financial advisors, and (xiii) in each case, their respective present and former advisors, principals, employees, officers, directors, representatives, financial advisors, legal counsel, accountants, investment bankers, consultants, agents and other representatives or professionals (including the partners of any such professional firm) (collectively, the "**Released Parties**") will be released and discharged from any and all Obligations that any Person (including the Holders, the Applicants and the U.S. Debtors, as applicable, and any Person who may claim contribution or indemnification against or from them) may be entitled to assert (including any and all Claims in respect of potential statutory liabilities of the Released Parties for which the Initial Order authorized the granting of a CCAA Charge or Claims for which Released Parties who are directors are by law liable in their capacity as directors for the payment of such Claims, but other than the rights of Persons to enforce this CCAA Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered hereunder or pursuant hereto (including with respect to the Restructuring Transactions and the contracts, instruments, releases, indentures and other agreements or documents delivered under the Rights Offering or pursuant thereto)) based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the U.S. Debtors, the subject matter of, or the transactions or events giving rise to, any Claims, the CCAA Charges, this CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the Rights Offering, the CCAA Proceedings, the

Chapter 15 Proceedings and the Chapter 11 Cases, provided, however, that nothing herein will release or discharge any such Released Party (A) if the Released Party is judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed fraud or willful misconduct or to have been grossly negligent, (B) in the case of directors or officers, in respect of any claim referred to in Subsection 5.1(2) of the CCAA and, (C) in the case of any Released Party which is an obligor in respect of any Excluded Employee Claim or Post-filing Claim, from or in respect of such Excluded Employee Claim or Post-filing Claim.

(c) Releases by the Bridgewater Entities

As at the Final Restructuring Transactions Time, each and every one of the Bridgewater Entities will be deemed to forever release, waive and discharge any and all Obligations against the Released Parties that the Bridgewater Entities may be entitled to assert (including any and all Claims in respect of potential statutory liabilities of the Released Parties for which the Initial Order authorized the granting of a CCAA Charge or Claims for which Released Parties who are directors are by law liable in their capacity as directors for the payment of such Claims, but other than the rights of the Bridgewater Entities to enforce this CCAA Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered hereunder or pursuant hereto) based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the Bridgewater Entities, the business and affairs of the U.S. Debtors, the subject matter of, or the transactions or events giving rise to, any Claims, the CCAA Charges, this CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the CCAA Proceedings, the Chapter 15 Proceedings and the Chapter 11 Cases, provided, however, that nothing herein will release or discharge any such Released Party (A) if the Released Party is judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed fraud or willful misconduct or to have been grossly negligent or, (B) in the case of directors or officers, in respect of any claim referred to in Subsection 5.1(2) of the CCAA.

(d) Releases by the 15.5% Senior Unsecured Notes Indenture Trustee

As at the Final Restructuring Transactions Time, each of the 15.5% Senior Unsecured Notes Creditors will be deemed to forever release, waive and discharge any and all Obligations (including any remedies to challenge transfers which may fall within the scope of any bulk sales, fraudulent conveyance or similar statute) against the Bridgewater Entities that the 15.5% Senior Unsecured Notes Creditors may be entitled to assert (other than the rights of the 15.5% Senior Unsecured Notes Indenture Trustee and the 15.5% Senior Unsecured Notes Creditors to enforce this CCAA Plan, including the Restructuring

Transactions, and the contracts, instruments, releases, indentures and other agreements or documents delivered hereunder or pursuant hereto) based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Bridgewater Entities, the subject matter of, or the transactions or events giving rise to, any Claims of any nature whatsoever with the 15.5% Senior Unsecured Notes Creditors that could be asserted by or on behalf of the 15.5% Senior Unsecured Notes Creditors against the Bridgewater Entities, provided, however, that nothing herein will release or discharge such Bridgewater Entities if the Bridgewater Entities are judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed fraud or willful misconduct or to have been grossly negligent.

6.11 Injunction Related to Releases

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to this CCAA Plan.

6.12 Waiver of Defaults

From and after the Final Restructuring Transactions Time, on condition that in cases where applicable Claims that are required to be paid in full under this CCAA Plan (including Proven Secured Claims) are paid in full on the Implementation Date, all Persons shall be deemed to have waived any and all defaults of the Applicants and the Partnerships (except for defaults under the securities, contracts, instruments, releases and other documents delivered under this CCAA Plan or entered into in connection herewith or pursuant hereto) then existing or previously committed by the Applicants or the Partnerships or caused by the Applicants or the Partnerships, directly or indirectly, or non-compliance with any covenant, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Applicants or the Partnerships arising from the filing by the Applicants under the CCAA or the transactions contemplated by this CCAA Plan, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

6.13 Cancellation, Assignment, Transfer or Other Alienation of Canadian Unsecured Notes, Canadian Secured Notes, ACCC Term Loan Documents, BCFPI Secured Bank Documents and Agreements

As at the Final Restructuring Transactions Time, except as otherwise specifically provided for in this CCAA Plan or the U.S. Plan, or as contemplated to be effected as part of the Restructuring Transactions and, on condition that in cases where applicable Claims that are required to be paid in full under this CCAA Plan (including Proven Secured Claims) are paid in full on the Implementation Date:

- (a) the Canadian Unsecured Notes, the Canadian Secured Notes, the ACCC Term Loan Documents, the BCFPI Secured Bank Documents and any other note, bond, debenture, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Applicants, shall be cancelled or assigned, transferred or otherwise alienated, as the case may be, in accordance with the Restructuring Transactions;
- (b) the obligations of, and Affected Claims and Secured Claims against, the Applicants and the Partnerships under, relating, or pertaining to any agreements, indentures, certificates of designation, by-laws, or certificate or articles of incorporation or similar documents governing the Canadian Unsecured Notes, the Canadian Secured Notes, the ACCC Term Loan Documents, the BCFPI Secured Bank Documents and any other note, bond, debenture, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Applicants or the Partnerships, as the case may be, shall be released and discharged as between a Holder of an Affected Claim or Secured Claims and the Applicants or the Partnerships;
- (c) any agreement (including the Canadian Unsecured Notes Indentures) that governs the rights of a Holder of a Claim and that is administered by a Servicer shall continue in effect solely for purposes of (i) allowing such Servicer to make the distributions on account of such Affected Claims under this CCAA Plan and (ii) permitting such Servicer to maintain any rights or Liens it may have for reasonable fees, costs, expenses, indemnities or other amounts under such indenture or other agreement provided, however, that the immediately preceding provision shall not affect the discharge of Claims against the Applicants or the Partnerships under this CCAA Plan or the U.S. Plan, or, subject to Section 7.14, result in any expense or liability to the Applicants or the Partnerships;
- (d) the Applicants and the Partnerships shall not have any obligations to any Servicer (or to any Disbursing Agent replacing such Servicer, other than the Monitor) for any fees, costs, or expenses incurred on and after the Final Restructuring Transactions Time except as expressly provided in Section 7.14; and
- (e) nothing herein shall preclude any Servicer (or any Disbursing Agent replacing such Servicer) from being paid or reimbursed for reasonable fees, costs, and expenses from the distributions being made by such Servicer (or any Disbursing Agent replacing such Servicer) pursuant to such agreement in accordance with the provisions set forth therein, all without application to or approval by the Court.

6.14 Cancellation of Liens

Except as otherwise provided in the CCAA Plan and except in cases where this CCAA Plan requires that Holders of the applicable Proven Secured Claims be paid in full on the Implementation Date, on condition that such Proven Secured Claims are paid in full on the

Implementation Date, as at the Final Restructuring Transactions Time, in consideration for the distributions to be made on the Implementation Date pursuant to this CCAA Plan, all Liens, and rights related to any Claim, including those existing under the Canadian Secured Notes, the ACCC Term Loan Documents, the BCFPI Secured Bank Documents, the Securitization Facility, the BI DIP Facility Documents and the ULC DIP Facility Documents, shall be terminated, null and void and of no effect.

6.15 Corporate Governance

As of the Implementation Date, the directors and officers of each Applicant that is not a Reorganized Debtor will be removed from office and terminated in their capacities as such. A search committee (the "**Search Committee**"), consisting of three (3) members of the Unsecured Creditors' Committee, three (3) members of the Ad Hoc Unsecured Noteholders Committee, and one (1) representative of the Company has been formed to select the board of directors for Reorganized ABH (the "**Board**") and shall be responsible for selecting the Board, determining the number of directors (including the number of independent directors, if any) comprising the Board, and defining the terms and other qualifications for such directors.

ARTICLE 7 PROVISIONS GOVERNING DISTRIBUTIONS

7.1 Distributions for Claims Allowed as at the Initial Distribution Date

Except as otherwise provided herein or as ordered by the Court, distributions to be made on account of Affected Claims that are Proven Claims as at the Initial Distribution Record Date shall be made on the Initial Distribution Date. Thereafter, distributions on account of Affected Claims that are determined to be Proven Claims after the Initial Distribution Record Date shall be made on the Interim Distribution Date or the Final Distribution Date and in accordance with Article 5 and Article 7.

7.2 Assignment of Claims

For purposes of determining entitlement to receive any distribution pursuant to this CCAA Plan, the Applicants, the Disbursing Agent and the Servicers, and each of their respective agents, successors and assigns, shall have no obligation to recognize any transfer or assignment of any Affected Claim unless and until notice of the transfer or assignment from either the transferor, assignor, transferee or assignee, together with evidence showing ownership, in whole or in part, of such Affected Claim and that such transfer or assignment was valid at Law, has been received by the affected Applicants, the Disbursing Agent or the Servicer, as the case may be, at least five (5) Business Days prior to the Initial Distribution Record Date, any Interim Distribution Record Date or the Final Distribution Date. The assignment of any Affected Claims shall not affect the treatment of such Affected Claims. Therefore, among other things, a Claim subject to Subsections 2.4(a)(i), 2.4(b)(i), 2.4(c)(i), 2.4(d)(i), 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), 2.4(h)(i), 2.4(i)(i), 2.4(j)(i) or 2.4(k)(i) shall remain subject to such Subsection following its transfer to a transferee or assignee.

7.3 Interest on Affected Unsecured Claims

- (a) The amount of each Affected Unsecured Claim shall, for all purposes other than for voting and distribution purposes, include the interest accrued thereon, if any, as of the Implementation Date calculated in accordance with the contract or other arrangement giving rise to such Affected Unsecured Claim. The Face Amount of each Affected Unsecured Claim shall, for voting and distribution purposes, be valued as of the Date of Filing without regard to any interest accruing thereon thereafter and such interest accrual shall not in any way diminish or otherwise affect the operation and scope of the settlement or compromise of the Affected Claims nor the full and complete releases provided for in this CCAA Plan or the U.S. Plan in respect of capital, interest or otherwise.
- (b) To the extent that any Proven Claim to which a distribution under this Plan relates is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable Law, be allocated to the principal amount of the Proven Claim first and then, to the extent that the consideration exceeds the principal amount of the Proven Claim, to the portion of such Proven Claim representing accrued but unpaid interest (including interest in respect of any secured portion of such Proven Claim).

7.4 Distributions by Disbursing Agent

The Disbursing Agent shall make all distributions required under this CCAA Plan subject to the provisions of Article 5 and Article 7. If the Disbursing Agent is an independent third party, then such Disbursing Agent shall receive, without further Court approval, reasonable compensation for distribution services rendered pursuant to the CCAA Plan and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services from the Applicants on terms acceptable to the Applicants. No Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court.

7.5 Disbursing Agent Shall Not Distribute Cash Below Cdn\$ 10

The Disbursing Agent shall not be required to, but may in its sole and absolute discretion: (a) make Cash distributions to Holders of Proven Claims in an amount less than Cdn\$10; or (b) make any distribution on account of any Proven Claim in the event that the costs of making such payment exceed the amount of such distribution.

7.6 Disbursing Agent Shall Not Distribute Fractional Shares

Notwithstanding any other provision of this CCAA Plan, only whole numbers of shares of New ABH Common Stock shall be distributed to Holders of Proven Claims. When any distribution on account of any Proven Claim would otherwise result in the distribution of a number of shares of New ABH Common Stock that is not a whole number, the actual distribution of such shares shall be rounded to the next higher or lower whole number of shares as follows: (i) fractions equal to or greater than $\frac{1}{2}$ shall be rounded to the next higher whole number; and (ii) fractions less than $\frac{1}{2}$ shall be rounded to the next lower number. No

consideration shall be provided in lieu of fractional shares of New ABH Common Stock that are rounded down.

7.7 Disbursing Agent Shall Not Distribute Fractional Cents

Notwithstanding any other provision of this CCAA Plan, no payment of fractional cents will be made. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent.

7.8 Delivery of Distributions

(a) Proven Claims.

Subject to Section 7.2, distributions to Holders of Proven Claims shall be made by the Disbursing Agent or the appropriate Servicer (i) at the addresses set forth on the Proofs of Claim filed by such Holders (or at the last known addresses of such Holders if no Proof of Claim is filed or if the Applicants or the Monitor has been notified in writing of a change of address), (ii) at the addresses set forth in any written notice of address change delivered to the Disbursing Agent after the date of any related Proof of Claim, and (iii) in the case of a Holder of an Affected Claim whose Affected Claim is governed by an agreement and administered by a Servicer, at the addresses contained in the official records of such Servicer.

(b) Undeliverable Distributions.

If any distribution to a Holder of a Proven Claim is returned as undeliverable, no further distributions to such Holder of such Claim shall be made unless and until the Disbursing Agent or the appropriate Servicer is notified of then-current address of such Holder, at which time all missed distributions shall be made to such Holder without interest. Undeliverable distributions shall be returned to the Reorganized Debtors until such distributions are claimed. The Applicants shall make reasonable efforts to locate Holders of Proven Claims for which distributions were undeliverable. Notwithstanding the foregoing, all claims for undeliverable distributions must be made on or before the date that is 90 days after the Initial Distribution Date, the applicable Interim Distribution Date or the Final Distribution Date as the case may be, after which date all unclaimed property shall revert to the Reorganized Debtors free of any restrictions or claims thereon and the Claim of any Holder or successor to such Holder with respect to such property shall be discharged and forever barred.

7.9 Withholding Taxes

In connection with this CCAA Plan, all distributions made hereunder by the Disbursing Agent shall be made net of all applicable Taxes. Notwithstanding any other provision of this CCAA Plan, each Affected Unsecured Creditor with a Proven Claim that is to receive a distribution pursuant to this CCAA Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any Governmental Entity (including income, withholding and other Tax obligations on account of such distribution), and

no distribution shall be made to or on behalf of such Affected Unsecured Creditor pursuant to this CCAA Plan unless and until such Affected Unsecured Creditor has made arrangements satisfactory to the Disbursing Agent and the Applicants for the payment and satisfaction of such Tax obligations. The Disbursing Agent shall be authorized to take any and all actions as may be necessary or appropriate to comply with such withholding and reporting requirements. All amounts withheld on account of Taxes shall be treated for all purposes as having been paid to the Affected Unsecured Creditor in respect of which such withholding was made, provided such withheld amounts are remitted to the appropriate Governmental Entity.

7.10 Multiple Affected Claims

Without limitation to the provisions of any Law prohibiting double recovery, subject to Section 4.4, for voting and distribution purposes, in respect of all Affected Creditors and their rights in respect of Affected Claims: (i) all guarantees of an Applicant of the payment or performance by another Applicant with respect to any Affected Claim will be recognized; (ii) each Affected Claim and all guarantees by an Applicant of such Affected Claim will be treated as multiple Affected Claims against the Applicants; and (iii) any joint obligation of any Applicant with another Applicant will be treated as two separate Affected Claims against the Applicants, provided, however, that the aggregate recovery on account of any Proven Claim or Allowed Claim (as defined under the U.S. Plan) from all sources, including distributions under this CCAA Plan, the U.S. Plan or a combination of both, regardless of whether on account of a theory of primary or secondary liability, by reason of guarantee, surety, indemnity, joint and several obligations or otherwise, shall not exceed (A) 100% of the underlying indebtedness, liability or obligation giving rise to such Claim or, (B) where the underlying indebtedness, liability or obligation giving rise to such Claim is denominated in a currency (the "**Original Currency**") other than Canadian dollars, 100% of such underlying indebtedness, liability or obligation after conversion of the value of the distributions received in Canadian dollars back to the Original Currency at the Bank of Canada noon spot rate of exchange for exchanging Canadian dollars to the Original Currency on the date of applicable Initial Distribution Date, Interim Distribution Date or the Final Distribution Date.

7.11 No Double Recovery on Allowed Cross-border Claims

Without limitation to the provisions of any Law prohibiting double recovery, to the extent that any Claim is both a Proven Claim against a Cross-border Debtor under this CCAA Plan and an Allowed Claim (as defined in the U.S. Plan) against the same Cross-border Debtor under the U.S. Plan (each an "**Allowed Cross-border Claim**"), (i) there shall only be a single recovery on account of such Allowed Cross-border Claim under this CCAA Plan and the U.S. Plan, and (ii) the aggregate distribution which such Allowed Cross-border Claim shall receive, whether under this CCAA Plan or the U.S. Plan or a combination of both, shall not exceed the greatest distribution which such Allowed Cross-border Claim would be entitled to receive under this CCAA Plan or the U.S. Plan.

7.12 Convenience Claims Against the Cross-border Debtors

The threshold under Subsections 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), and 2.4(h)(i) of this CCAA Plan (Cdn\$6,073) and the Convenience Claim threshold of the U.S. Plan (US\$5,000) account for differences caused by the foreign exchange rate between the U.S. and Canadian dollars as of the

Date of Filing. Only with respect to Cross-border Debtors, for purposes of determining whether a Claim is a Convenience Claim as defined in the U.S. Plan or a Cross-border Convenience Claims as defined in the CCAA Plan, (A) all eligible Claims will be valued in Canadian dollars using the Date of Filing Exchange Rate, (B) will be determined in reference to the dollar thresholds established for such treatment under this CCAA Plan (Cdn\$6,073), and (C) Cash distributions on account of such Claims, if proven, will be made in Canadian dollars. A classification or valid election to participate as (x) a Convenience Claim as defined in the U.S. Plan or (y) a Cross-border Convenience Claim as defined in this CCAA Plan will be binding for purposes of voting and distributions under both this CCAA Plan and the U.S. Plan.

7.13 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity solidary or joint and several obligations or otherwise in respect of any Claim which is settled, compromised, released or otherwise dealt with under this CCAA Plan or the U.S. Plan or who has any right in respect of, or to be subrogated to, the rights of any Person in respect of a Claim which is compromised under this CCAA Plan or the U.S. Plan shall be entitled to any greater rights than the Affected Unsecured Creditor whose Claim is settled, compromised, released, or otherwise dealt with under this CCAA Plan or the U.S. Plan.

7.14 Payment of Indenture Trustees Fees

The Applicants shall reimburse any Indenture Trustees for reasonable and necessary services performed by it (including reasonable attorneys' fees and documented out-of-pocket expenses) in connection with the CCAA and related proceedings and the making of distributions under this CCAA Plan to Holders of Proven Claims, without the need for approval by the Court. To the extent that there are any disputes that the Applicants are unable to resolve with the Indenture Trustees, the Applicants shall report to the Court as to whether there are any unresolved disputes regarding the reasonableness of the Indenture Trustees' (and their attorneys') fees and expenses. Any such unresolved disputes may be submitted to the Court for resolution.

7.15 Special Provisions Regarding Insured Claims

Any Insured Claim Creditor whose Insured Claim is a Proven Claim shall not have the benefit of any coverage, if any, available to the Applicants under any Insurance Contract in respect of such Insured Claim but shall be entitled to receive the distributions provided for in this CCAA Plan for the Affected Unsecured Creditor Class in which such Insured Claim Creditor belongs. Any Insured Claim Creditor who has filed a Proof of Claim in respect of any Insured Claim but delivers to the Monitor a withdrawal of such Proof of Claim on the earlier of (a) the date on which such Claim is finally determined for distribution purposes in accordance with the provisions of this CCAA Plan, the CCAA, the Claims Procedure Orders and any other applicable Orders, and (b) the Creditors' Meeting Date, shall be deemed not to have a Proven Claim but shall have an Excluded Claim as provided in Subsection 2.3(h).

ARTICLE 8 MISCELLANEOUS

8.1 Executory Contracts, Unexpired Leases and other Agreements

Except as otherwise provided in this CCAA Plan, as of the Final Restructuring Transactions Time, each Reorganized Debtor shall be deemed to have ratified:

- (a) each executory contract, unexpired lease and other agreement to which it is a party or which has been transferred or assigned to it, including in the manner and the sequence as set forth in the Restructuring Transactions Notice; and
- (b) each obligation of the Applicants and the Partnerships to indemnify and reimburse directors, officers, managers or employees, whether pursuant to the constating documents of any Applicant or Partnership or specific agreement;

and shall assume and perform all obligations of the Applicants and the Partnerships thereunder (other than in respect of Claims arising from such contract or lease which will be Affected Claims and, therefore, settled, compromised, released or otherwise dealt with pursuant to this CCAA Plan), unless in the case of any executory contract, lease or other agreement, such executory contract, lease or other agreement: (A) was previously repudiated or terminated by the Applicants; (B) previously expired or terminated pursuant to its own terms; or (C) was amended as evidenced by a written agreement with the Applicants or the Partnerships and in such case the amended executory contract, lease or other agreement shall be deemed ratified.

8.2 Confirmation of CCAA Plan

Provided that this CCAA Plan is approved by the Required Majorities:

- (a) the Applicants shall seek the Sanction Order for the approval of this CCAA Plan; and
- (b) subject to the Sanction Order being made in form and substance acceptable to the Applicants and the satisfaction of the conditions to the implementation of this CCAA Plan set forth in Section 8.5, this CCAA Plan shall be implemented by the Applicants and shall be binding upon each of the Applicants and all Persons referred to in Section 2.1.

8.3 Paramountcy

From and after the Implementation Date, any conflict between (i) the CCAA Plan, and (ii) the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan or other agreement, commitment letter, by-laws of the Applicants or the Partnerships, lease or other arrangement or undertaking, written or oral (including any and all amendments or supplements thereto) existing with, between or among one or more of the Affected Unsecured Creditors and the Applicants or the Partnerships as at the Implementation Date will be deemed to be governed by the provisions of this CCAA Plan and the Sanction Order, which shall take

precedence and priority. All Affected Unsecured Creditors shall be deemed irrevocably for all purposes to consent to all transactions contemplated in and by the CCAA Plan. For greater certainty, this Section 8.3 shall not apply to the Backstop Commitment Agreement or the Backstop Parties in their capacities as such.

8.4 Modification of CCAA Plan

(a) Prior to or at Creditors' Meetings

The Applicants, in consultation with the Monitor, reserve the right to file any modification of, or amendment, variation or supplement to, this CCAA Plan, in accordance with the terms of the Backstop Commitment Agreement, including by the Restructuring Transactions Notice, any CCAA Plan Supplement or plans of reorganization, compromise or arrangement (or any one or more thereof) (each a "**CCAA Plan Modification**") prior to the Creditors' Meeting Date or at or before any Creditors' Meeting, in which case any such CCAA Plan Modification shall, for all purposes, be and be deemed to form part of and be incorporated into this CCAA Plan. The Applicants shall give notice of any such CCAA Plan Modification at the Creditors' Meeting in respect of each Affected Unsecured Creditors Class prior to the vote being taken to approve this CCAA Plan. The Applicants may give notice of any such CCAA Plan Modification at or before any Creditors' Meeting by notice which shall be sufficient if, in the case of notice at any Creditors' Meeting, given to those Affected Unsecured Creditors present at such meeting in person or by proxy. The Monitor shall post on the Monitor's Website, as soon as possible, any such CCAA Plan Modification, with notice of such posting forthwith provided to the Service List.

(b) After Creditors' Meetings

After each Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Applicants, in consultation with the Monitor, may at any time and from time to time modify, amend, vary or supplement this CCAA Plan, in accordance with the terms of the Backstop Commitment Agreement, without the need for obtaining an Order or providing notice to the Affected Unsecured Creditors if the Monitor determines that such modification, amendment, variation or supplement would not be materially prejudicial to the interests of the Affected Unsecured Creditors under this CCAA Plan or the Sanction Order and is necessary in order to give effect to the substance of this CCAA Plan or the Sanction Order. The Monitor shall post on the Monitor's Website, as soon as possible, any such modification, amendment, variation or supplement to this CCAA Plan, with notice of such posting forthwith provided to the Service List.

8.5 Conditions Precedent to Implementation of CCAA Plan

The implementation of this CCAA Plan by the Applicants is subject to the following conditions precedent which, except for Subsections 8.5(a), 8.5(b) and 8.5(m) below and as otherwise would be in violation of applicable Laws, may be waived in writing as provided in Section 8.6:

- (a) the approval of this CCAA Plan by the Required Majorities shall have been obtained;

- (b) the Sanction Order sanctioning this CCAA Plan, in form and substance satisfactory to the Applicants and the Monitor, shall have been made and entered and the operation and effect of the Sanction Order shall not have been stayed, reversed or amended, and shall among other things:
- (i) declare that: (i) this CCAA Plan has been approved by the Required Majorities of Affected Unsecured Creditors in conformity with the CCAA; (ii) the Applicants have complied with the provisions of the CCAA and the Orders made in the CCAA Proceedings in all respects; (iii) the Court is satisfied that each Applicant has neither done nor purported to do anything that is not authorized by the CCAA; and (iv) this CCAA Plan and the transactions contemplated hereby are fair and reasonable, and in the best interests of the Applicants, the Affected Unsecured Creditors and the other stakeholders of the Applicants (having considered, among other things, the composition of the vote, what creditors would receive in liquidation or sale as compared to this CCAA Plan, alternatives to this CCAA Plan or liquidation or sale, whether any oppression exists or has occurred, the treatment of shareholders and the public interest);
 - (ii) order that this CCAA Plan (including the settlements, compromises, arrangements, reorganizations, corporate transactions and releases set out herein and the transactions, including the Restructuring Transactions and reorganization contemplated hereby) is sanctioned and approved pursuant to Section 6 of the CCAA and, as at the Implementation Date, will be effective and will enure to the benefit of and be binding upon the Applicants, the Partnerships, the Affected Unsecured Creditors and all other Persons stipulated in this CCAA Plan or in the Sanction Order, if any;
 - (iii) declare that the Restructuring Transactions shall be effected, subject to Section 6.2, in the manner and the sequence as set forth in the Restructuring Transactions Notice;
 - (iv) declare that all Proven Claims determined in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol, the Cross-border Voting Protocol and the Creditors' Meeting Order are final and binding on the Applicants and all Affected Unsecured Creditors;
 - (v) declare that, subject to the performance by the Applicants of their obligations under this CCAA Plan and in accordance with Section 8.1 of the CCAA Plan, all contracts, leases, TSFMs and outstanding and unused volumes of cutting rights (backlog) thereunder, agreements and other arrangements to which the Applicants or the Partnerships are a party and that have not been terminated or repudiated pursuant to the Initial Order will be and remain in full force and effect, unamended, as at the Implementation Date, and no Person who is a party to any such contract, lease, agreement or other arrangement may accelerate,

terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of dilution or other remedy) or make any demand under or in respect of any such contract, lease, agreement or other arrangement and no automatic termination will have any validity or effect, by reason of:

- (A) any event that occurred on or prior to the Implementation Date and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults, events of default, or termination events arising as a result of the insolvency of the Applicants and the Partnerships);
 - (B) the insolvency of the Applicants, the Partnerships or any affiliate thereof or the fact that the Applicants, the Partnerships or any affiliate thereof sought or obtained relief under the CCAA, the CBCA or the Bankruptcy Code;
 - (C) any of the terms of this CCAA Plan, the U.S. Plan or any action contemplated therein, including the Restructuring Transactions Notice;
 - (D) any settlements, compromises or arrangements effected pursuant to this CCAA Plan or the U.S. Plan or any action taken or transaction effected pursuant to this CCAA Plan or the U.S. Plan; or
 - (E) any change in the control of the Applicants, the Partnerships or any affiliate thereof arising from the implementation of this CCAA Plan (including the Restructuring Transactions Notice) or the U.S. Plan and declare that any consent required under any such contracts, leases, TSFMAs and outstanding and unused volumes of cutting rights (backlog) thereunder, agreements or other arrangements in respect of any such change of control be deemed satisfied;
- (vi) declare that the stay of proceedings under the Initial Order continues until the Implementation Date;
 - (vii) approve all conduct of the Chief Restructuring Officer and the Monitor in relation to the Applicants, the Partnerships and the U.S. Debtors and bar all Claims against them arising from or relating to the services provided to the Applicants, the Partnerships and the U.S. Debtors prior to the date of the Sanction 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;
 - (viii) confirm the releases contemplated by Subsections 6.10(a), 6.10(b), 6.10(c) and 6.10(d);

- (ix) enjoin the commencement or prosecution, whether directly, derivatively or otherwise, or any demands, claims, actions, causes of action, counterclaims, suits, or any indebtedness, liability, obligation or cause of action released and discharged pursuant to this CCAA Plan;
 - (x) order that the BI DIP Lenders Charge will be released and discharged as of the Implementation Date upon receipt of acknowledgements from each of the BI DIP Lenders and the BI DIP Agent of payment in full of all BI DIP Claims; and
 - (xi) order that all CCAA Charges, other than the BI DIP Lenders Charge, will be released and discharged as of the Implementation Date or earlier upon receipt of acknowledgements of payment in respect of the Claims secured thereby or adequate alternate arrangements satisfactory to the parties in whose favour such charges operate;
- (c) any other Order deemed necessary or desirable by ABH from the Bankruptcy Court, including an Order approving this CCAA Plan in the Chapter 15 Proceedings, or any other jurisdiction shall have been obtained;
 - (d) all applicable appeal periods in respect of the Sanction Order and any other Order made by the Bankruptcy Court pursuant to Subsection 8.5(c) shall have expired and any appeals therefrom shall have been finally disposed of by the applicable appellate tribunal;
 - (e) the Exit Loan Facilities and all related agreements and other documents shall have become effective subject only to the implementation of this CCAA Plan;
 - (f) the Backstop Commitment Agreement in connection with the Rights Offering shall not have been terminated;
 - (g) the following agreements, or any subsequent amendments, shall have been executed and ratified by all Unions, in form and substance satisfactory to the Applicants:
 - (i) Memorandum of Agreement between ABH and the Communications, Energy and Paperworkers Union of Canada dated March 7, 2010; and
 - (ii) Memorandum of Agreement between ABH and the *Syndicats affiliés à la FTFP/CSN des usines de Clermont, Alma, Kénogami et Laurentide* dated March 13, 2010;
 - (h) the following regulations shall have been adopted in form and substance satisfactory to the Applicants:
 - (i) a special funding relief regulation pursuant to the *Supplemental Pension Plans Act* (Québec) for the benefit of ABH and its subsidiaries with

respect to the funding of their defined benefit registered pension plans;
and

- (ii) a special funding relief regulation pursuant to the *Pension Benefits Act* (Ontario) for the benefit of ABH and its subsidiaries with respect to the funding of their defined benefit registered pension plans;
- (i) all relevant Persons shall have executed, delivered and filed all documents and other instruments that, in the opinion of the Applicants, acting reasonably, are necessary to implement the provisions of this CCAA Plan and/or the Sanction Order;
- (j) subject to Subsections 8.5(k) and 8.5(l), all applicable approvals, certificates, rulings, permits, consents, notices and orders of, and all applicable submissions and filings with any or all Governmental Entities and stock exchanges having jurisdiction for the completion of the transactions contemplated by this CCAA Plan (including the transactions contemplated in this Section 8.5 as conditions to the implementation of the CCAA Plan) shall have been obtained or made, as the case may be, by the Applicants, in each case to the extent deemed necessary or advisable by the Applicants in form and substance satisfactory to the Applicants;
- (k) the shares of New ABH Common Stock shall be generally freely tradable in Canada under applicable Canadian securities Laws, except for restrictions on resale or transfer imposed by the Canadian securities authorities or the TSX on "control distributions" (as such term is defined in *National Instrument 45-102 – Resale of Securities*) and provided that in respect of the first trade of such securities, such trade is effected with no unusual effort being made to prepare the market or to create a demand for the securities that are subject to the trade, no extraordinary commission or consideration paid to a person or company in respect of the trade and if the selling securityholder is an insider or officer of Reorganized ABH, the selling securityholder has no reasonable grounds to believe that Reorganized ABH is in default of Canadian securities Laws;
- (l) all applicable approvals or consents from Governmental Entities in relation to the issuance or the assignment of TSFMAs and outstanding and unused volumes of cutting rights (backlog) thereunder or tenure agreements, as the case may be, shall have been obtained by the Applicants or the Partnerships or waived by such Governmental Entity on terms satisfactory to the Applicants and the Partnerships or deemed obtained or waived pursuant to the Sanction Order; and
- (m) all conditions precedent to the implementation of the U.S. Plan but for the implementation of this CCAA Plan shall have been satisfied or waived.

8.6 Waiver of Conditions

Each of the conditions set forth in Section 8.5 above except for the conditions set forth in Subsections 8.5(a), 8.5(b) and 8.5(m), may be waived in whole or in part by the Applicants, or the other relevant parties to the documents and transactions referred to therein without any

other notice to parties in interest or the Court and without a hearing. The failure to satisfy or waive any condition prior to the Implementation Date may be asserted by the Applicants regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Applicants). The failure of the Applicants to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

8.7 Notices

Any notices or communication to be made or given hereunder to the Applicants or the Monitor shall be in writing and shall refer to this CCAA Plan and may, subject as hereinafter provided, be made or given by telecopier or e-mail addressed to the respective parties as follows:

(a) if to the Applicants:

Attention: Chief Financial Officer & Chief Legal Officer
Telecopier: (864) 282-9219 and (514) 394-3644

with a copy to Stikeman Elliott LLP

Attention: Marc Barbeau and Sean Dunphy
Telecopier: (514) 397- 3222
E-mail: mbarbeau@stikeman.com and sdunphy@stikeman.com

(b) if to the Monitor:

Attention: Alex F. Morrison
Telecopier: (416) 943-3300
E-mail: alex.f.morrison@ca.ey.com

with a copy to Thornton Grout Finnigan LLP

Attention: Robert Thornton and Leanne Williams
Telecopier: (416) 304-1313
E-mail: rthornton@tgf.ca and lwilliams@tgf.ca

or to such other telecopier or e-mail as any party may from time to time notify the others in accordance with this Section 8.7. All such notices and communications shall be deemed to have been received, in the case of notice by telecopier or e-mail prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid. The unintentional failure by the Applicants to give any notice contemplated hereunder to any particular Affected Unsecured Creditor shall not invalidate this CCAA Plan or any action taken by any Person pursuant to this CCAA Plan.

Any notices or communications to be made or given hereunder by the Monitor or the Applicants to an Affected Unsecured Creditor may be sent by telecopier, e-mail, ordinary mail,

registered mail, courier or telecopier transmission. An Affected Unsecured Creditor shall be deemed to have received any document sent pursuant to this CCAA Plan four (4) Business Days after the document is sent by ordinary or registered mail and on the Business Day immediately following the day on which the document is sent by courier, e-mail or telecopier transmission. Documents shall not be sent by ordinary or registered mail during a postal strike or work stoppage of general application.

Notices or communications may be mailed to an Affected Unsecured Creditor (i) to the address for such Affected Unsecured Creditor specified in the Notice of Dispute filed by an Affected Unsecured Creditor, or (ii) to the address listed in the Proof of Claim, or (iii) at the address set forth in any written notice of address changes delivered to the Disbursing Agent and the Monitor.

8.8 Severability of CCAA Plan Provisions

If, prior to the Implementation Date, any term or provision of this CCAA Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Applicants, which request shall be made in consultation with the Monitor, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this CCAA Plan shall remain in full force and effect and shall in no way be Affected, impaired or invalidated by such holding, alteration or interpretation.

8.9 Revocation, Withdrawal or Non-consummation

The Applicants reserve the right to revoke or withdraw this CCAA Plan at any time prior to the Implementation Date and to file subsequent plans of reorganization or arrangement. If the Applicants revoke or withdraw this CCAA Plan, or if the Sanction Order is not issued, (a) this CCAA Plan shall be null and void in all respects, (b) any Claim, any settlement, compromise or release embodied in this CCAA Plan (including the fixing or limiting of any Claim to a certain amount), assumption or termination, repudiation of executory contracts or leases affected by this CCAA Plan, and any document or agreement executed pursuant to this CCAA Plan shall be deemed null and void, and (c) nothing contained in this CCAA Plan, and no act taken in preparation for consummation of this CCAA Plan, shall:

- (a) constitute or be deemed to constitute a waiver or release of any Claims by or against the Applicants or any other Person;
- (b) prejudice in any manner the rights of the Applicants or any Person in any further proceedings involving the Applicants; or
- (c) constitute an admission of any sort by the Applicants or any other Person.

8.10 Governing Law

This CCAA Plan shall be governed by and construed in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this CCAA Plan and all proceedings taken in connection with this CCAA Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

8.11 Independence of Jurisdiction

Nothing contained herein shall be construed to increase, decrease or otherwise modify the independence, sovereignty or jurisdiction of the Court, the Bankruptcy Court or any other court or tribunal in Canada or the United States, including the ability of any such court or tribunal to provide appropriate relief under applicable law on an ex parte or "limited notice" basis.

8.12 Successors and Assigns

This CCAA Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors (including by merger, amalgamation, consolidation, conversion or reorganization or following any winding-up, liquidation or dissolution) and permitted assigns of any Person named or referred to in Section 2.1.

SCHEDULE A
Applicants

Abitibi-Consolidated Inc.
Abitibi-Consolidated Company of Canada
3224112 Nova Scotia Limited
Marketing Donohue Inc.
Abitibi-Consolidated Canadian Office Products Holdings Inc.
3834328 Canada Inc.
6169678 Canada Incorporated.
4042140 Canada Inc.
Donohue Recycling Inc.
1508756 Ontario Inc.
3217925 Nova Scotia Company
La Tuque Forest Products Inc.
Abitibi-Consolidated Nova Scotia Incorporated
Saguenay Forest Products Inc.
Terra Nova Explorations Ltd.
The Jonquière Pulp Company
The International Bridge and Terminal Company
Scramble Mining Ltd.
9150-3383 Québec Inc.
Abitibi-Consolidated (U.K.) Inc.
Bowater Canadian Holdings Incorporated.
Bowater Canada Finance Corporation
Bowater Canadian Limited
3231378 Nova Scotia Company
AbitibiBowater Canada Inc.
Bowater Canada Treasury Corporation
Bowater Canadian Forest Products Inc.
Bowater Shelburne Corporation
Bowater LaHave Corporation
St. Maurice River Drive Company Limited
Bowater Treated Wood Inc.
Canoxel Hardboard Inc.
9068-9050 Québec Inc.
Alliance Forest Products (2001) Inc.
Bowater Belledune Sawmill Inc.
Bowater Maritimes Inc.
Bowater Mitis Inc.
Bowater Guérette Inc.
Bowater Couturier Inc.

**SCHEDULE B
PARTNERSHIPS**

Bowater Canada Finance Limited Partnership
Bowater Pulp and Paper Canada Holdings Limited Partnership
Abitibi-Consolidated Finance L.P.

SCHEDULE C
Affected Unsecured Claims Shares Allocation⁽¹⁾⁽⁵⁾

Affected Unsecured Creditor Class	Shares of New ABH Common Stock⁽²⁾⁽³⁾⁽⁴⁾	Percentage of New ABH Equity⁽²⁾⁽⁴⁾
1. ACI Affected Unsecured Creditor Class	4,397,829	4.5%
2. ACCC Affected Unsecured Creditor Class	20,498,391	21.1%
3. Saguenay Forest Products Affected Unsecured Creditor Class	5,947	0.0%
4. BCFPI Affected Unsecured Creditor Class	6,845,106	7.0%
5. BCFC Affected Unsecured Creditor Class	233,714	0.2%
6. AbitibiBowater Canada Affected Unsecured Creditor Class	2	0.0%
7. Bowater Maritimes Affected Unsecured Creditor Class	44,806	0.0%
8. ACNSI Affected Unsecured Creditor Class	46,882	0.1%
9. Office Products Affected Unsecured Creditor Class	1,955	0.0%
10. Recycling Affected Unsecured Creditor Class	277	0.0%

⁽¹⁾ This allocation takes into consideration, among other things, Inter-company Claims on a pro rata basis with third party creditor Claims.

⁽²⁾ Claims estimates are subject to change due to ongoing claims resolution.

⁽³⁾ Subject to dilution from management incentive plan and Rights Offering.

⁽⁴⁾ Only includes shares of New ABH Common Stock allocated to Affected Unsecured Claims, other than the 15.5% Senior Unsecured Notes Claims.

⁽⁵⁾ Assumes no holder of Affected Unsecured Claims have elected to receive shares of New ABH Common Stock.

SCHEDULE D
15.5% Senior Unsecured Notes Claims Share Allocation⁽¹⁾

Name of Applicants	Shares of New ABH Common Stock⁽²⁾⁽³⁾⁽⁴⁾	Percentage of New ABH Equity⁽²⁾⁽⁵⁾
1. Abitibi-Consolidated Inc.	409,436	0.4%
2. Abitibi-Consolidated Company of Canada	2,076,508	2.1%
3. Saguenay Forest Products	326,435	0.3%
4. 3224112 Nova Scotia Limited	0	0.0%
5. Marketing Donohue Inc.	0	0.0%
6. Abitibi-Consolidated Canadian Office Products Holdings Inc.	0	0.0%
7. 3834328 Canada Inc.	0	0.0%
8. 6169678 Canada Inc.	443	0.0%
9. Donohue Recycling Inc.	0	0.0%
10. 1508756 Ontario Inc.	0	0.0%
11. The Jonquière Pulp Company	6,203	0.0%
12. The International Bridge and Terminal Company	7,315	0.0%
13. Scramble Mining Ltd.	0	0.0%
14. Terra Nova Explorations Ltd.	1,902	0.0%
15. Abitibi-Consolidated (U.K.) Inc.	1,564,602	1.6%
16. Abitibi-Consolidated Nova Scotia Incorporated	46,836	0.0%

⁽¹⁾ This allocation takes into consideration, among other things, Inter-company Claims on a pro rata basis with third party creditor Claims.

⁽²⁾ Claims estimates are subject to change due to ongoing claims resolution.

⁽³⁾ Subject to dilution from management incentive plan and Rights Offering.

⁽⁴⁾ Only includes shares of New ABH Common Stock allocated to the 15.5% Senior Unsecured Notes Claims.

⁽⁵⁾ Assumes no holder of Affected Unsecured Claims have elected to receive shares of New ABH Common Stock.

APPENDIX “G”

THE CHAPTER 11 PLAN

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
)	
ABITIBIBOWATER INC., <i>et al.</i> ,)	Case No. 09-11296 (KJC)
)	Jointly Administered
)	
Debtors.)	

**DEBTORS' SECOND AMENDED JOINT PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: August 2, 2010

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PLAN EXHIBITS

Exhibit A List of Debtors, Cross-Border Debtors, CCAA Debtors and Canadian Debtors

Exhibit B Classification of Claims

Exhibit B1	Priority Non-Tax Claims
Exhibit B2	Bowater Secured Bank Claims
Exhibit B3	BCFPI Secured Bank Claims
Exhibit B4	ACCC Term Loan Secured Guaranty Claims
Exhibit B5	Other Secured Claims
Exhibit B6	Unsecured Claims
Exhibit B7	Convenience Claims
Exhibit B8	Intercompany Claims and Intercompany Interests
Exhibit B9	Common Stock Claims and Interests

PLAN SUPPLEMENTS

The following Plan Supplements shall be filed on or before the Supplement Filing Date:

- Plan Supplement 1: Assumed Collective Bargaining Agreements
- Plan Supplement 2: Assumed Insurance Policies and Agreements
- Plan Supplement 3: List of Merged or Dissolved Debtors
- Plan Supplement 4A: Form of Amended Certificates of Incorporation for Reorganized Debtors
- Plan Supplement 4B: Form of Amended Bylaws for Reorganized Debtors
- Plan Supplement 5A: Post-Effective Date Board of Directors and Officers of Reorganized ABH
- Plan Supplement 5B: Post-Effective Date Board of Directors and Officers of Reorganized Debtors other than Reorganized ABH
- Plan Supplement 6A: Management Compensation and Incentive Plans to be Continued Post-Effective Date
- Plan Supplement 6B: Management Compensation and Incentive Plans to be Terminated Post-Effective Date
- Plan Supplement 7A: Employee Compensation and Benefit Programs to be Continued Post-Effective Date
- Plan Supplement 7B: Employee Compensation and Benefit Programs to be Terminated Post-Effective Date
- Plan Supplement 8: [To come]
- Plan Supplement 9: Exit Financing Facility Documentation
- Plan Supplement 10: Retained Causes of Action
- Plan Supplement 11A: Schedule of Assumed Executory Contracts and Unexpired Leases
- Plan Supplement 11B: Schedule of Rejected Executory Contracts and Unexpired Leases
- Plan Supplement 12: Restructuring Transactions
- Plan Supplement 13: Letters of Credit

INTRODUCTION

AbitibiBowater Inc. ("AbitibiBowater" and together with its subsidiaries, the "Company") and its affiliated debtors and debtors-in-possession (each a "Debtor" and collectively, the "Debtors")¹ in the above captioned jointly administered Chapter 11 Cases hereby propose this amended joint plan of reorganization (as defined below, the "Plan").

Certain of the Debtors (the "Cross-Border Debtors")² and certain non-debtor subsidiaries of AbitibiBowater (such non-debtors, the "CCAA Debtors")³ and together with the Cross-Border Debtors, the "Canadian Debtors") applied for protection from their creditors under Canada's *Companies' Creditors Arrangement Act*, R.S. C. 1985, c. C-36, as amended (the "CCAA"), in the Superior Court, Commercial Division, for the Judicial District of Montreal, Canada (the "Canadian Court" and the proceedings before the Canadian Court, the "CCAA Proceedings"). Two of the CCAA Debtors – Abitibi-Consolidated Inc. ("ACI") and Abitibi-Consolidated Company of Canada ("ACCC" and, together with ACI, collectively, the "Chapter 15 Debtors") – thereafter filed petitions for recognition under chapter 15 of the Bankruptcy Code (the "Chapter 15 Cases"). AbitibiBowater and certain of the Debtors also filed for ancillary relief in Canada seeking provisional relief in support of the Chapter 11 Cases in Canada under section 18.6 of the CCAA.⁴

¹ The Debtors in these cases are: AbitibiBowater Inc., AbitibiBowater US Holding 1 Corp., AbitibiBowater US Holding LLC, AbitibiBowater Canada Inc., Abitibi-Consolidated Alabama Corporation, Abitibi-Consolidated Corporation, Abitibi-Consolidated Finance LP, Abitibi Consolidated Sales Corporation, Alabama River Newsprint Company, Augusta Woodlands, LLC, Bowater Alabama LLC, Bowater America Inc., Bowater Canada Finance Corporation, Bowater Canadian Forest Products Inc., Bowater Canadian Holdings Incorporated, Bowater Canadian Limited, Bowater Finance Company Inc., Bowater Finance II LLC, Bowater Incorporated, Bowater LaHave Corporation, Bowater Maritimes Inc., Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Bowater South American Holdings Incorporated, Bowater Ventures Inc., Catawba Property Holdings, LLC, Coosa Pines Golf Club Holdings LLC, Donohue Corp., Lake Superior Forest Products Inc., Tenex Data Inc, ABH LLC 1 and ABH Holding Company LLC.

² The Cross-Border Debtors are: Bowater Canada Finance Corporation, Bowater Canadian Holdings Incorporated, AbitibiBowater Canada Inc., Bowater Canadian Forest Products Inc., Bowater Maritimes Inc., Bowater LaHave Corporation and Bowater Canadian Limited.

³ The CCAA Debtors are: Bowater Mitis Inc., Bowater Guerette Inc., Bowater Couturier Inc., Alliance Forest Products (2001) Inc., Bowater Belledune Sawmill Inc., St. Maurice River Drive Company, Bowater Treated Wood Inc., Canexel Hardboard Inc., 9068-9050 Quebec Inc., Bowater Canada Treasury Corporation, Bowater Canada Finance Limited Partnership, Bowater Shelburne Corporation, 3231078 Nova Scotia Company, Bowater Pulp and Paper Canada Holdings Limited Partnership, Abitibi-Consolidated Inc., Abitibi-Consolidated Company of Canada, Abitibi-Consolidated (U.K.) Inc., Abitibi-Consolidated Nova Scotia Incorporated, 3217925 Nova Scotia Company, Terra-Nova Explorations Ltd., The Jonquiere Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd., 9150-3383 Quebec Inc., Star Lake Hydro Partnership, Saguenay Forest Products Inc., 3224112 Nova Scotia Limited, La Tuque Forest Products Inc., Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated, 4042410 Canada Inc., Donohue Recycling, and 1508756 Ontario Inc.

⁴ The Debtors who obtained section 18.6 relief are: AbitibiBowater Inc., AbitibiBowater US Holding 1 Corp., Bowater Ventures Inc., Bowater Incorporated, Bowater Nuway Inc., Bowater Nuway-Midstates, Inc., Catawba Property Holdings LLC, Bowater Finance Company Inc., Bowater South American Holdings Incorporated,

This Plan contemplates a comprehensive reorganization of the Company in Canada and the United States through plans approved under the CCAA and Chapter 11 of the Bankruptcy Code, respectively. The Plan's underlying financial model assumes an integrated enterprise value for the Company and allocates such value to separate U.S. and Canadian legal entities within the Company's corporate structure. The Plan also shares other common features with the Company's CCAA plan of restructuring and compromise (as defined below, the "CCAA Plan"), including financial projections and liquidation analyses. The estimated Plan recoveries against individual Debtors are based upon these underlying shared assumptions and coordinates distributions to creditors in the Chapter 11 Cases with parallel assumptions and complementary distribution mechanics contained in the CCAA Plan. Exhibit A identifies the Debtors, the CCAA Debtors and the Cross-Border Debtors.

The Plan provides for the Company's reorganization pursuant to the terms of this Plan and the CCAA Plan. By way of overview, the Plan contemplates the payment in full in Cash of all Administrative Claims, inclusive of Claims against any of the Debtors arising under section 503(b)(9) of the Bankruptcy Code and priority claims against the Debtors (subject to permitted installment payments for certain Priority Tax Claims). The Plan also contemplates the repayment in full in Cash of outstanding amounts, if any, and satisfaction of any other Claims arising under the Debtors' post-petition financing facilities (including the Debtors' Securitization Facility). In addition, this Plan provides for the treatment of Allowed Claims against, and Interests in, the Debtors as follows:

- With respect to the Debtors' pre-petition secured lenders, payment in full in Cash, or such other treatment to which the parties may agree;
- With respect to certain allowed unsecured convenience class claims in an amount less than, or reduced to, \$5,000, payment in Cash in an amount equal to the lesser of 50% of (i) \$5,000 or (ii) the allowed amount of such claim.
- With respect to each holder of an allowed unsecured claim, distribution of its pro rata share of the newly issued common stock of Reorganized ABH allocated to the Debtor against which such claim lies and ability to participate in a rights offering; and
- No distributions on account of stock issued by AbitibiBowater, including claims arising out of or with respect to such stock interests.

The Plan does not provide for the substantive consolidation of any of the Debtors' estates. The Chapter 11 Cases have been consolidated for procedural purposes only and are being jointly administered pursuant to an order of the Bankruptcy Court. Accordingly, the Plan constitutes a separate plan of reorganization for each Debtor in the Chapter 11 Cases, including the Cross-Border Debtors, and the CCAA Plan constitutes a separate plan of restructuring and compromise for each entity subject to the CCAA Proceedings, including the Cross-Border

Bowater America Inc., Lake Superior Forest Products Inc., Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, Bowater Finance II, LLC, Bowater Alabama LLC and Coosa Pines Golf Club Holdings LLC.

Debtors. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code. Reference is made to the Disclosure Statement accompanying this Plan, including the exhibits thereto, for a discussion of the Company's history, business, properties, results of operations, and projections for future operations and risk factors, together with a summary and analysis of the Plan and the CCAA Plan. All creditors entitled to vote on this Plan are encouraged to consult the Disclosure Statement and to read this Plan carefully before voting to accept or reject this Plan.

NO SOLICITATION MATERIALS, OTHER THAN A DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE BANKRUPTCY COURT, ARE AUTHORIZED BY THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

ARTICLE I
DEFINITIONS AND INTERPRETATION

A. Definitions. The following terms (which appear in this Plan as capitalized terms) shall have the meanings set forth below. A term used in this Plan and not defined in this Plan but that is defined in the Bankruptcy Code has the meaning set forth in the Bankruptcy Code.

1.1 “6.50% Notes” means the 6.50% Notes due June 15, 2013 issued by Bowater pursuant to the 6.50% Notes Indenture.

1.2 “6.50% Notes Indenture” means the indenture dated as of June 19, 2003, as supplemented, between Bowater, as issuer, and the 6.50% Notes Indenture Trustee.

1.3 “6.50% Notes Indenture Trustee” means The Bank of New York and its successors and assigns, as indenture trustee under the 6.50% Notes Indenture.

1.4 “7.40% Revenue Bonds (2010)” means Pollution Control Facilities Revenue Refunding Bonds, Series 1991A (Bowater Incorporated Project) due January 1, 2010 pursuant to the 7.40% Revenue Bonds (2010) Indenture.

1.5 “7.40% Revenue Bonds (2010) Indenture” means the Trust Indenture dated as of March 1, 1991, as supplemented, between York County, South Carolina, as issuer, and the 7.40% Revenue Bonds (2010) Indenture Trustee.

1.6 “7.40% Revenue Bonds (2010) Indenture Trustee” means Third National Bank in Nashville and its successors and assigns, as indenture trustee under the 7.40% Revenue Bonds (2010) Indenture.

1.7 “7.40% Revenue Bonds (2010) Loan Agreement” means the Loan Agreement by and between York County, South Carolina and Bowater Incorporated relating to the 7.40% Revenue Bonds (2010) dated as of March 1, 1991.

1.8 “7.40% Revenue Bonds (2022)” means the Solid Waste Recycling Facilities Revenue Bonds, Series 1992 (Calhoun Newsprint Company Project – Bowater Incorporated as Obligor) due December 1, 2022 pursuant to the 7.40% Revenue Bonds (2022) Indenture.

1.9 “7.40% Revenue Bonds (2022) Indenture” means the trust indenture dated as of December 1, 1992, as supplemented, between The Industrial Development Board of the County of McMinn, as issuer, and the 7.40% Revenue Bonds (2022) Indenture Trustee.

1.10 “7.40% Revenue Bonds (2022) Indenture Trustee” means Third National Bank in Nashville and its successors and assigns, as indenture trustee under the 7.40% Revenue Bonds (2022) Indenture.

1.11 “7.40% Revenue Bonds (2022) Loan Agreement” means the Loan Agreement by and between The Industrial Development Board of the County of McMinn and Bowater Incorporated relating to the 7.40% Revenue Bonds (2022) dated as of December 1, 1992.

1.12 “7.625% Revenue Bonds” means the Pollution Control Revenue Bonds, Series 1991 (Calhoun Newsprint Company -- Bowater Incorporated as Obligor) due March 1, 2016 issued pursuant to the 7.625% Revenue Bonds Indenture.

1.13 “7.625% Revenue Bonds Indenture” means the indenture dated as of March 1, 1991, as supplemented, between The Industrial Development Board of the County of McMinn, as issuer, and the 7.625% Revenue Bonds Indenture Trustee.

1.14 “7.625% Revenue Bonds Indenture Trustee” means Third National Bank in Nashville and its successors and assigns, as indenture trustee under the 7.625% Revenue Bonds Indenture.

1.15 “7.625% Revenue Bonds Loan Agreement” means the Loan Agreement by and between The Industrial Development Board of the County of McMinn and Bowater Incorporated relating to the 7.625% Revenue Bonds dated as of March 1, 1991.

1.16 “7.75% Revenue Bonds” means the Solid Waste Recycling Facilities Revenue Bonds, Series 1992 (Great Northern Paper, Inc. Project – Bowater Incorporated as Obligor) due October 1, 2022 issued pursuant to the 7.75% Revenue Bonds Indenture.

1.17 “7.75% Revenue Bonds Indenture” means the trust indenture dated as of October 1, 1992, as supplemented, between Finance Authority of Maine, as issuer, and the 7.75% Revenue Bonds Indenture Trustee.

1.18 “7.75% Revenue Bonds Indenture Trustee” means Casco Northern Bank, N.A. and its successors and assigns, as indenture trustee under the 7.75% Revenue Bonds Indenture.

1.19 “7.75% Revenue Bonds Loan Agreement” means the Loan Agreement by and between Finance Authority of Maine and Bowater Incorporated relating to the 7.75% Revenue Bonds dated as of October 1, 1992.

1.20 “7.875% Senior Notes” means the 7.875% Senior Notes due August 1, 2009 issued by Abitibi-Consolidated Finance LP pursuant to the 7.875% Senior Notes Indenture.

1.21 “7.875% Senior Notes Indenture” means the indenture dated as of July 26, 1999, as supplemented, among Abitibi-Consolidated Finance L.P. and ACI, as issuers, and the 7.875% Senior Notes Indenture Trustee.

1.22 “7.875% Senior Notes Indenture Trustee” means The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 7.875% Senior Notes Indenture.

1.23 “7.95% Notes” means the 7.95% Notes due November 15, 2011 issued by BCFC pursuant to the 7.95% Notes Indenture.

1.24 “7.95% Notes Guaranty” means the guaranty of the 7.95% Notes by Bowater Inc. issued pursuant to the 7.95% Notes Indenture.

1.25 “7.95% Notes Guaranty Claims” means all Claims arising under or relating to the 7.95% Notes Guaranty in the amount of \$619,875,000.

1.26 “7.95% Notes Indenture” means the indenture dated as of October 31, 2001, as supplemented, among BCFC, as issuer, Bowater, as guarantor, and the 7.95% Notes Indenture Trustee.

1.27 “7.95% Notes Indenture Trustee” means Wilmington Trust Company, as successor indenture trustee to The Bank of New York under the 7.95% Notes Indenture.

1.28 “8.00% Convertible Notes” means the 8% Convertible Notes due April 15, 2013 issued by ABH pursuant to the 8.00% Convertible Notes Indenture.

1.29 “8.00% Convertible Notes Guaranty” means the guaranty of the 8.00% Convertible Notes by Bowater Inc. issued pursuant to the 8.00% Convertible Notes Indenture.

1.30 “8.00% Convertible Notes Guaranty Claims” means all Claims arising under or relating to the 8.00% Convertible Notes Guaranty.

1.31 “8.00% Convertible Notes Indenture” means the indenture dated as of April 1, 2008, as supplemented, among ABH, as issuer, Bowater, as guarantor, and the 8.00% Convertible Notes Trustee.

1.32 “8.00% Convertible Notes Stipulation” means the stipulation by and among the Debtors, the Creditors Committee and Fairfax with respect to the 8.00% Convertible Notes Guaranty Claims approved by the Bankruptcy Court on June 22, 2010 [Docket No. 2452].

1.33 “8.00% Convertible Notes Trustee” means The Law Debenture Trust Company of New York, as successor indenture trustee to The Bank of New York Trust Company, N.A. under the 8.00% Convertible Notes Indenture.

1.34 “9.00% Debentures” means the 9.00% Debentures due August 1, 2009 issued by Bowater pursuant to the 9.00% Debentures Indenture.

1.35 “9.00% Debentures Indenture” means the indenture dated as of August 1, 1989, as supplemented, between Bowater, as issuer, and the 9.00% Debentures Indenture Trustee.

1.36 “9.00% Debentures Indenture Trustee” means Manufacturers Hanover Trust Company and its successors and assigns, as indenture trustee under the 9.00% Debentures Indenture.

1.37 “9.375% Debentures” means the 9.375% Debentures due December 15, 2021 issued by Bowater pursuant to the 9.375% Debentures Indenture.

1.38 “9.375% Debentures Indenture” means the indenture dated as of December 1, 1991, as supplemented, between Bowater, as issuer, and the 9.375% Debentures Indenture Trustee.

1.39 “9.375% Debentures Indenture Trustee” means Marine Midland Bank, N.A. and its successors and assigns, as indenture trustee under the 9.375% Debentures Indenture.

1.40 “9.50% Debentures” means the 9.50% Debentures due October 15, 2012 issued by Bowater pursuant to the 9.50% Debentures Indenture.

1.41 “9.50% Debentures Indenture” means the indenture dated as of October 15, 1992, as supplemented, between Bowater, as issuer, and the 9.50% Debentures Indenture Trustee.

1.42 “9.50% Debentures Indenture Trustee” means The Chase Manhattan Bank (National Association) and its successors and assigns, as indenture trustee under the 9.50% Debentures Indenture.

1.43 “10.26% Senior Notes (Series D)” means the 10.26% Senior Notes (Series D) due January 15, 2011 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.26% Senior Notes (Series D) Note Agreement.

1.44 “10.26% Senior Notes (Series D) Note Agreement” means the note agreement dated as of November 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto.

1.45 “10.50% Senior Notes (Series B)” means the 10.50% Senior Notes (Series B) due June 15, 2010 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.50% Senior Notes (Series B) Note Agreement.

1.46 “10.50% Senior Notes (Series B) Note Agreement” means the note agreement dated as of June 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto.

1.47 “10.60% Senior Notes (Series C)” means the 10.60% Senior Notes (Series C) due January 15, 2011 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.60% Senior Notes (Series C) Note Agreement.

1.48 “10.60% Senior Notes (Series C) Note Agreement” means the note agreement dated as of November 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto.

1.49 “10.625% Senior Notes (Series A)” means the 10.625% Senior Notes (Series A) due June 15, 2010 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.625% Senior Notes (Series A) Note Agreement.

1.50 “10.625% Senior Notes (Series A) Note Agreement” means the note agreement dated as of June 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto.

1.51 “10.85% Debentures” means the 10.85% Debentures due November 30, 2014 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.85% Debentures Indenture.

1.52 “10.85% Debentures Indenture” means the trust indenture dated as of December 12, 1989, as supplemented, between BCFPI (f/k/a Canadian Pacific Forest Products Limited), as issuer, and the 10.85% Debentures Indenture Trustee.

1.53 “10.85% Debentures Indenture Trustee” means Computershare Trust Company of Canada, as Successor Trustee to Montreal Trust Company and its successors and assigns, as indenture trustee under the 10.85% Debentures Indenture.

1.54 “13.75% Senior Secured Notes Claims” means all claims, other than the 13.75% Senior Secured Note Guaranty Claims, of the 13.75% Senior Secured Notes Indenture Trustee and the holders of 13.75% Senior Secured Notes arising under or relating to the 13.75% Senior Secured Notes or the 13.75% Senior Secured Notes Indenture and related collateral documents and agreements.

1.55 “13.75% Senior Secured Note Guaranty” means the guaranty of the 13.75% Senior Secured Notes by Donohue Corp., Abitibi Consolidated Sales Corporation, Abitibi-Consolidated Corporation, Abitibi-Consolidated Alabama Corporation, Augusta Woodlands, LLC, Alabama River Newsprint Company and ABH LLC I pursuant to the 13.75% Senior Secured Notes Indenture.

1.56 “13.75% Senior Secured Note Guaranty Claims” means all Claims arising under or relating to the 13.75% Senior Secured Note Guaranty.

1.57 “13.75% Senior Secured Notes” means the 13.75% Senior Secured Notes due April 1, 2011 issued by ACCC pursuant to the 13.75% Senior Secured Notes Indenture.

1.58 “13.75% Senior Secured Notes Indenture” means the Indenture dated as of April 1, 2008, as supplemented, among ACCC, as issuer, each of the guarantors party thereto and the 13.75% Senior Secured Notes Indenture Trustee.

1.59 “13.75% Senior Secured Notes Indenture Trustee” means U.S. Bank, National Association, and its successors and assigns, as successor indenture trustee under the 13.75% Senior Secured Notes Indenture.

1.60 “15.50% Senior Note Guaranty” means the unsecured guaranty of the 15.50% Senior Notes by Donohue Corp., Abitibi Consolidated Sales Corporation, Abitibi-Consolidated Corp., Abitibi-Consolidated Alabama Corporation, Augusta Woodlands, LLC, Alabama River Newsprint Company and ABH LLC I pursuant to the 15.50% Senior Notes Indenture.

1.61 “15.50% Senior Note Guaranty Claims” means all Claims arising under or relating to the 15.50% Senior Note Guaranty.

1.62 “15.50% Senior Notes” means the 15.50% Senior Notes due July 15, 2010, issued by ACCC pursuant to the 15.50% Senior Notes Indenture.

1.63 “15.50% Senior Notes Indenture” means the Indenture dated as of April 1, 2008, as supplemented, among ACCC, as issuer, each of the guarantors party thereto and the 15.50% Senior Secured Notes Indenture Trustee.

1.64 “15.50% Senior Notes Indenture Trustee” means Wilmington Trust Company, as successor indenture trustee to Wells Fargo Bank, National Association under the 15.50% Senior Notes Indenture.

1.65 “2010 STIP” has the meaning set forth in Section 6.8(e) of this Plan.

1.66 “2011 STIP” has the meaning set forth in Section 6.8(e) of this Plan.

1.67 “ABH” means AbitibiBowater Inc.

1.68 “AbitibiBowater” has the meaning set forth on page 1 of this Plan.

1.69 “ABL Exit Financing Facility” means the senior secured asset-based revolving facility to be entered into by the Reorganized Debtors and the lender(s) thereunder as contemplated in Section 6.11 of this Plan, pursuant to such documentation, or a summary thereof, that shall (a) be set forth in a Plan Supplement and filed by the Supplement Filing Date, or (b) be set forth in such other notice and in such form as determined by the Debtors and as is reasonably acceptable to the Creditors Committee, filed on or before the Confirmation Hearing.

1.70 “ACCC” means Abitibi-Consolidated Company of Canada.

1.71 “ACCC Term Loan Agent” means Wells Fargo Bank, N.A. (as successor-in-interest to Goldman Sachs Credit Partners L.P., in its capacity as administrative agent and collateral agent under the ACCC Term Loan Documents).

1.72 “ACCC Term Loan Claims” means Claims for principal and interest, fees and other amounts outstanding under the ACCC Term Loan Documents, including accrued interest at the default rate plus reasonable professional fees.

1.73 “ACCC Term Loan Documents” means that certain Credit and Guaranty Agreement, dated as of April 1, 2008 (as may have been amended, supplemented, restated, or otherwise modified from time to time), among ACCC in its capacity as a borrower, certain subsidiaries of ABH as guarantors, the lenders from time-to-time party thereto and the ACCC Term Loan Agent, together with all other loan documents, guaranty, and security documents executed in connection therewith, including, without limitation, (x) that certain U.S. Pledge and Security Agreement, dated as of April 1, 2008, among the ACCC Term Loan Agent and certain of the Debtors party to the ACCC Term Loan Secured Guaranty, and (y) that certain U.S. Pledge

and Security Agreement, dated as of April 1, 2008, among ACI, ACCC, certain of the Canadian Debtors party to the ACCC Term Loan Secured Guaranty and ACCC Term Loan Agent.

1.74 “ACCC Term Loan Secured Guaranty” means the secured guaranty of the ACCC Term Loan Claims issued by ACI, Abitibi-Consolidated Nova Scotia Incorporated, Terra-Nova Explorations Ltd., The Jonquiere Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd., Produits Forestiers Saguenay Inc., Bridgewater Paper Company Limited, Cheshire Recycling Limited, Abitibi-Consolidated (U.K.) Inc., 3224112 Nova Scotia Limited, Donohue Recycling Inc., Marketing Donohue Inc., Donohue Corp., 1508756 Ontario Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated, Abitibi Consolidated Sales Corporation, Abitibi-Consolidated Corp., Abitibi-Consolidated Alabama Corporation, Augusta Woodlands, LLC, Alabama River Newsprint Company and ABH LLC I pursuant to the ACCC Term Loan Documents.

1.75 “ACCC Term Loan Secured Guaranty Claims” means all ACCC Term Loan Claims arising under the ACCC Term Loan Secured Guaranty.

1.76 “ACE” has the meaning set forth in Section 5.4 of this Plan.

1.77 “ACI” means Abitibi-Consolidated Inc.

1.78 “ACI and ACCC Note Claims” means all Claims arising from or related to the Canadian Unsecured Notes, as such term is defined in the CCAA Plan.

1.79 “Ad Hoc Unsecured Noteholders Committee” means the informal committee of certain holders of ACI and ACCC Note Claims.

1.80 “Adequate Protection Claim” means a Claim of the Secured Funded Debt Administrative Agents, for themselves and for the benefit of the Secured Funded Debt Lenders, for adequate protection arising under the DIP Facility Order or the Securitization Order.

1.81 “Administrative Claim” means a Claim to the extent that it is of the kind described in section 503(b) of the Bankruptcy Code and is entitled to priority under section 507(a)(1) of the Bankruptcy Code, including, without limitation, (a) any actual and necessary expenses of preserving the Estate, (b) any actual and necessary expenses of operating the business of the Debtors, (c) any actual indebtedness or obligations incurred or assumed by the Debtors during the pendency of the Chapter 11 Cases in connection with the conduct of their business, (d) any actual expenses necessary or appropriate to facilitate or effectuate this Plan, (e) any amount required to be paid under section 365(b)(1) of the Bankruptcy Code in connection with the assumption of executory contracts or unexpired leases, (f) all allowances of compensation or reimbursement of expenses to the extent allowed by the Bankruptcy Court under sections 328, 330(a), 331 or 503(b)(2), (3), (4) or (5) of the Bankruptcy Code, (g) Claims arising under section 503(b)(9) of the Bankruptcy Code, and (h) all fees and charges payable pursuant to section 1930 of title 28 of the United States Code.

1.82 “Allowed” means, with respect to a Claim or Interest in the Chapter 11 Cases, or any portion of such Claim or Interest in any Class or category specified herein, a Claim

or Interest that either (a) is listed in the Schedules as neither disputed, contingent nor unliquidated and with respect to which no contrary or superseding Proof of Claim has been filed; (b) is evidenced by a Proof of Claim filed on or before the applicable Claims Bar Date and is not listed as disputed, contingent or unliquidated in the Schedules, and as to which no objection or request for estimation has been filed on or before any applicable deadline; (c) is not the subject of an objection to allowance that (i) was filed on or before the Claims Objection Deadline and (ii) has not been settled, waived, withdrawn or denied pursuant to a Final Order; (d) is expressly allowed (i) pursuant to a Final Order, (ii) pursuant to an agreement between the holder of such Claim or Interest and the Debtors or the Reorganized Debtors, as applicable, or (iii) pursuant to the terms of this Plan; (e) was allowed in accordance with the Cross-Border Claims Reconciliation Protocol; or (f) arises from the recovery of property under sections 550 or 553 of the Bankruptcy Code and is allowed in accordance with section 502(h) of the Bankruptcy Code.

1.83 “Allowed Claim” means a Claim or any portion thereof, without duplication, that has been Allowed.

1.84 “Allowed Cross-Border Claim” has the meaning set forth in Section 9.1 of this Plan.

1.85 “Amended Certificates of Incorporation and Bylaws” has the meaning set forth in Section 6.4 of this Plan.

1.86 “Article” means any article of this Plan.

1.87 “Assistant Secretary” means the assistant secretary of any Reorganized Debtor.

1.88 “Avoidance Action” means, collectively, (i) causes of action arising under sections 542, 543, 544, 545, 546, 547, 548, 549, 550 or 553 of the Bankruptcy Code, or under similar or related state or federal statutes or common law, including fraudulent transfer laws, and (ii) causes of action arising under the BIA or under similar or related provincial laws, including fraudulent preference and reviewable transaction laws, in each case whether or not litigation to prosecute such causes of action was commenced prior to the Effective Date.

1.89 “Backstop Commitment Agreement” means the backstop commitment agreement entered into by ABH and the Backstop Parties in connection with the Rights Offering, as may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

1.90 “Backstop Parties” means certain legal or beneficial holders of unsecured Claims as of May 24, 2010 and any of their affiliates, successors, assigns or replacements, in accordance with the terms and conditions set forth in the Backstop Commitment Agreement.

1.91 “Ballot” means the form distributed to each holder of an Impaired Claim or Interest upon which is to be indicated, among other things, acceptance or rejection of the Plan.

1.92 “Bankruptcy Code” means the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq., as amended from time to time.

1.93 “Bankruptcy Court” means the United States Bankruptcy Court for the District of Delaware in which the Chapter 11 Cases were filed or any other court with jurisdiction over the Chapter 11 Cases.

1.94 “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure and the local rules and standing orders of the Bankruptcy Court, as amended from time to time.

1.95 “BCFC” means Bowater Canada Finance Corporation.

1.96 “BCFC Contribution Claim” means the contingent claim in an amount that is not less than \$619,875,000 minus the aggregate amount of distributions to holders of (a) Allowed Class 6M Claims against BCFC and (b) any Allowed 7.95% Notes Guaranty Claim against Bowater that certain holders of the 7.95% Notes have asserted that BCFC may hold against Bowater pursuant to section 135 of the *Nova Scotia Companies Act*, R.S.N.S., 1989, c. 81, as amended, based on BCFC’s incorporation as an unlimited liability company under Nova Scotia law. To the extent Allowed, the BCFC Contribution Claim shall be classified and treated as a Class 6 Claim against Bowater for purposes of this Plan.

1.97 “BCFPI” means Bowater Canadian Forest Products Inc.

1.98 “BCFPI Secured Bank Agent” means Bank of Nova Scotia, in its capacity as administrative agent under the BCFPI Secured Bank Documents.

1.99 “BCFPI Secured Bank Claims” means all Claims for principal and interest, fees and other amounts outstanding (including reimbursement obligations for BCFPI Secured Bank Letters of Credit and accrued interest at the default rate plus reasonable professional fees, costs and charges) under the BCFPI Secured Bank Documents.

1.100 “BCFPI Secured Bank Documents” means that certain Credit Agreement, dated as of May 31, 2006, as amended by that certain First Amendment dated as of July 20, 2007, that certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, that certain Fifth Amendment dated as of April 30, 2008, that certain Sixth Amendment dated as of May 28, 2008, that certain Seventh Amendment dated as of June 6, 2008, that certain Eighth Amendment dated as of June 30, 2008, that certain Ninth Amendment and Waiver dated as of August 7, 2008, that certain Tenth Amendment and Waiver dated as of November 12, 2008 and that certain Eleventh Amendment and Consent dated as of February 27, 2009; and as further modified by the letter agreements dated March 17, 2009, March 23, 2009, March 31, 2009 and April 6, 2009, among BCFPI, as the borrower, and Bowater, Bowater Alabama LLC, Bowater Newsprint South Operations LLC, Bowater Newsprint South LLC and certain of the other Debtors, as guarantors, the BCFPI Secured Bank Agent, together with all collateral, security and ancillary documents executed in connection therewith or which relate thereto.

1.101 “BCFPI Secured Bank Letters of Credit” means the letters of credit listed on Plan Supplement 13 that are issued and outstanding immediately prior to the Effective Date under the BCFPI Secured Bank Documents.

1.102 “BIA” means the *Bankruptcy and Insolvency Act* (Canada), R.S., 1985, c. B-3, as amended.

1.103 “Board” has the meaning set forth in Section 6.7 of this Plan.

1.104 “Board of Directors” means the board of directors of any Reorganized Debtor other than Reorganized ABH.

1.105 “Bowater” means Bowater Incorporated.

1.106 “Bowater Secured Bank Agent” means Wells Fargo Bank National Association (as successor by merger with Wachovia Bank, National Association), in its capacity as agent under the Bowater Secured Bank Documents.

1.107 “Bowater Secured Bank Claims” means all Claims for principal and interest, fees and other amounts outstanding (including (a) reimbursement obligations for Bowater Secured Bank Letters of Credit; (b) accrued interest at the default rate plus reasonable professional fees; and (c) Obligations as such term is defined in the Bowater Secured Bank Documents) under the Bowater Secured Bank Documents.

1.108 “Bowater Secured Bank Documents” means that certain Credit Agreement, dated as of May 31, 2006, as amended by that certain First Amendment dated as of July 20, 2007, that certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, that certain Fifth Amendment dated as of April 30, 2008, that certain Sixth Amendment dated as of June 30, 2008, that certain Seventh Amendment and Waiver dated as of August 7, 2008, that certain Eighth Amendment and Waiver dated as of November 12, 2008 and that certain Ninth Amendment and Consent dated as of February 27, 2009; and as further modified by letter agreements dated March 17, 2009, March 23, 2009, March 31, 2009 and April 6, 2009 and as otherwise modified as of the date hereof, among Bowater, Bowater Alabama LLC, Bowater Newsprint South LLC and Bowater Newsprint South Operations LLC, certain of the Debtors as guarantors, the lenders and financial institutions from time to time party thereto and the Bowater Secured Bank Agent, together with all collateral, security and ancillary documents executed in connection therewith or which relate thereto.

1.109 “Bowater Secured Bank Letters of Credit” means the letters of credit listed on Plan Supplement 13 that are issued and outstanding immediately prior to the Effective Date under the Bowater Secured Bank Documents, including, without limitation, any letter of credit securing Bowater’s obligations under the Floating Rate Revenue Bonds (2029) Loan Agreement.

1.110 “Business Day” means any day other than a Saturday, Sunday, “legal holiday” as such term is defined in Bankruptcy Rule 9006(a) or non-judicial day as such term is defined in Article 6 of the *Quebec Code of Civil Procedure*.

1.111 “Canadian Court” has the meaning set forth on page 1 of this Plan.

1.112 “Canadian Debtor[s]” has the meaning set forth on page 1 of this Plan.

1.113 “Cash” means cash and cash equivalents, such as bank deposits, checks and other similar items or instruments denominated in legal tender of the United States of America.

1.114 “Cause[s] of Action” means any and all actions, causes of action, suits, accounts, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise, including Avoidance Actions.

1.115 “CCAA” has the meaning set forth on page 1 of this Plan.

1.116 “CCAA Charge” has the meaning assigned to such term in the CCAA Initial Order.

1.117 “CCAA Debtors” has the meaning set forth on page 1 of this Plan.

1.118 “CCAA Initial Order” means the Initial Order entered by the Canadian Court on April 17, 2009, as amended and restated from time to time, pursuant to which, among other things, the Canadian Court provided certain relief under the CCAA to each of the CCAA Debtors and the Cross-Border Debtors.

1.119 “CCAA Plan” means the Canadian Debtors’ plan of reorganization and compromise pursuant to the provisions of the CCAA and Section 191 of the CBCA, as it may be amended, varied, or supplemented by the Company from time to time in accordance with its terms, that was filed on May 4, 2010, as amended on May 24, 2010.

1.120 “CCAA Proceedings” has the meaning set forth on page 1 of this Plan.

1.121 “CDS” means the CDS Clearing and Depository Services Inc., or any of its affiliates.

1.122 “CEO” means ABH’s chief executive officer.

1.123 “Chairman of the Board” means ABH’s chairman of the board.

1.124 “Chapter 11 Cases” means the Debtors’ chapter 11 cases pending the Bankruptcy Court, which are being jointly administered under Case No. 09-11296.

1.125 “Chapter 15 Cases” has the meaning set forth on page 1 of this Plan.

1.126 “Chapter 15 Debtors” has the meaning set forth on page 1 of this Plan.

1.127 “Chief Executive Officer” means the chief executive officer of Reorganized ABH.

1.128 “Chief Financial Officer” means the chief financial officer of Reorganized ABH.

1.129 “Claim” means “claim” as defined in section 101(5) of the Bankruptcy Code, as supplemented by section 102(2) of the Bankruptcy Code, against any of the Debtors, whether or not asserted.

1.130 “Claims and Noticing Agent” means Epiq Bankruptcy Solutions LLC, employed by the Debtors as the official claims, noticing, and balloting agent in the Chapter 11 Cases pursuant to an order of the Bankruptcy Court entered on or about April 17, 2009 [Docket No. 71] and to the extent applicable with respect to the Cross-Border Debtors, the Monitor.

1.131 “Claims Agent Professionals” has the meaning set forth in Section 4.3 of this Plan.

1.132 “Claims Agent Professionals’ Fee and Expense Claim(s)” has the meaning set forth in Section 4.3 of this Plan.

1.133 “Claims Bar Date” means, as applicable, (i) November 13, 2009, the final date for all Persons or Entities asserting certain Claims against any of the Debtors to file Proofs of Claim on account of such Claims, (ii) April 7, 2010, the final date for all individuals who were employees of the Debtors as of the Petition Date or thereafter to file Proofs of Claim on account of such Claims, (iii) the date that is thirty (30) days after the effective date of rejection of an unexpired lease or executory contract for claims arising from such rejection, or (iv) such other date as the Bankruptcy Court may fix with respect to any Claim.

1.134 “Claims Bar Date Orders” means the orders dated September 3, 2009 and February 18, 2010 establishing the Claims Bar Date.

1.135 “Claims Objection Deadline” means the first business day that is one hundred eighty (180) days after the Effective Date, or such other later date the Court may establish upon a motion by the Reorganized Debtors, which motion may be approved without a hearing and without notice to any party.

1.136 “Class” means each category or group of holders of Claims or Claims and Interests as designated under this Plan.

1.137 “Class 1 Claims” has the meaning set forth in Section 2.8(a) of this Plan.

1.138 “Class 2 Claims” has the meaning set forth in Section 2.9(a) of this Plan.

1.139 “Class 3 Claims” has the meaning set forth in Section 2.10(a) of this Plan.

1.140 “Class 4 Claims” has the meaning set forth in Section 2.11(a) of this Plan.

1.141 “Class 5 Claims” has the meaning set forth in Section 2.12(a) of this Plan.

1.142 “Class 6 Claims” has the meaning set forth in Section 2.13(a) of this Plan.

- 1.143 “Class 7 Claims” has the meaning set forth in Section 2.14(a) of this Plan.
- 1.144 “Class 8 Claims and Interests” has the meaning set forth in Section 2.15(a) of this Plan.
- 1.145 “Class 9 Claims and Interests” has the meaning set forth in Section 2.16(a) of this Plan.
- 1.146 “Collective Bargaining Agreements” means all collective bargaining agreements to which any of the Debtors, other than the Cross-Border Debtors, is a party on the Confirmation Date, as identified on Plan Supplement 1.
- 1.147 “Common Stock” means, collectively, (a) the common stock of ABH issued and outstanding immediately prior to the Effective Date, (b) all options, warrants, conversion, privilege or other legal or contractual rights to purchase the common stock of ABH, and (c) any rights associated with the common stock of any predecessor of ABH or any predecessor of ABH’s subsidiaries.
- 1.148 “Common Stock Claim” means any Claim with respect to the Common Stock of the kind described in section 510(b) of the Bankruptcy Code, together with any Claim asserted by an officer, director or underwriter for contribution, reimbursement or indemnification related thereto or otherwise.
- 1.149 “Company” has the meaning set forth on page 1 of this Plan.
- 1.150 “Confirmation” means “confirmation” as used in section 1129 of the Bankruptcy Code.
- 1.151 “Confirmation Date” means the date on which the Confirmation Order is entered on the docket by the clerk of the Bankruptcy Court.
- 1.152 “Confirmation Hearing” means the hearing(s) at which the Bankruptcy Court considers Confirmation of this Plan.
- 1.153 “Confirmation Order” means an order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.
- 1.154 “Convenience Claims” means (a) with respect to Claims against the Cross-Border Debtors a Cross-border Convenience Claim, or (b) with respect to any other Unsecured Claims, any Unsecured Claim that is (i) Allowed in an amount of \$5,000 or less or (ii) Allowed in an amount greater than \$5,000 but which is reduced to \$5,000 by an irrevocable written election of the holder of such Claim made on a properly delivered Ballot; provided, however, that any Unsecured Claim that was originally Allowed in excess of \$5,000 may not be subdivided into multiple Unsecured Claims of \$5,000 or less for purposes of receiving treatment as a Convenience Claim. Notwithstanding anything to the contrary in this Plan, Convenience Claims shall only receive Cash distributions under this Plan.

1.155 “Creditors Committee” means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases by the Office of the United States Trustee on or about April 28, 2009, pursuant to section 1102 of the Bankruptcy Code, as reconstituted from time to time.

1.156 “Cross-Border Claims Reconciliation Protocol” means the cross-border claims reconciliation protocol that was approved by the Bankruptcy Court on or about January 19, 2010 [Docket No. 1581], as may be amended, modified, or supplemented from time to time.

1.157 “Cross-Border Debtors” has the meaning set forth on page 2 of this Plan.

1.158 “Cross-Border Claims Voting Protocol” means the protocol governing the voting procedures of claims against Cross-Border Debtors that will be included in the solicitation materials implementing procedures for soliciting votes to accept or reject the Plan that will be filed with the Bankruptcy Court, in a form and substance reasonably acceptable to the Creditors Committee and the Monitor.

1.159 “Cross-border Convenience Claim” has the meaning set forth in the CCAA Plan.

1.160 “Cure” means the distribution, within five (5) Business Days after the Effective Date or such other time as may be agreed upon by the parties or as ordered by the Bankruptcy Court or another court of competent jurisdiction, of Cash or such other property as may be agreed upon by the parties, ordered by the Bankruptcy Court or another court of competent jurisdiction, as the case may be, or determined in such other manner as the Bankruptcy Court may specify, with respect to the assumption of an executory contract or unexpired lease in accordance with the provisions of Article V of this Plan.

1.161 “Debtor(s)” has the meaning set forth on page 1 of this Plan, a list of which entities, together with their individual case numbers in the Chapter 11 Cases, is attached hereto as Exhibit A.

1.162 “Dilution” means the dilution resulting from New ABH Common Stock issued (a) pursuant to the management and director compensation and incentive programs set forth in Section 6.8 of this Plan, (b) as a payment under the Backstop Commitment Agreement or any replacement backstop commitment obtained by the Debtors in connection therewith and approved by the Bankruptcy Court and the Canadian Court, (c) upon conversion of the Rights Offering Notes in connection with the Rights Offering on the terms and conditions set forth in the Backstop Commitment Agreement, and (d) to Donohue Corp. pursuant to the Restructuring Transactions, in an amount that is reasonably acceptable to the Creditors Committee and the Backstop Parties.

1.163 “DIP Agent” means Law Debenture Trust Company of New York, in its capacity as successor administrative agent and successor collateral agent under the DIP Facility Documents.

1.164 “DIP Facility Claims” means the Claims of the DIP Agent and the DIP Lenders arising under the DIP Facility Documents and the DIP Facility Order.

1.165 “DIP Facility Documents” means that certain Senior Secured Superpriority Debtor in Possession Credit Agreement dated as of April 21, 2009 (as amended, modified, or supplemented from time to time), by and among AbitibiBowater Inc., Bowater and BCFPI, as borrowers, the Debtors signatory thereto, as guarantors, the DIP Agent and the DIP Lenders, together with any related collateral, loan or security documents related thereto.

1.166 “DIP Facility Order” means, collectively, (i) that certain Interim Order Pursuant to 11 U.S.C. §§105, 361, 362, 363, 364 and 507 (1) Approving Postpetition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, (5) Modifying the Automatic Stay, and (6) Scheduling a Final Hearing entered by the Bankruptcy Court on or about April 17, 2009 [Docket No. 64] and (ii) that certain Final Order Pursuant to 11 U.S.C. §§105, 361, 362, 363, 364 and 507 (1) Approving Postpetition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, and (5) Modifying the Automatic Stay entered by the Bankruptcy Court on or about June 16, 2009 [Docket No. 503], as amended from time to time.

1.167 “DIP Lenders” means the lenders and financial institutions from time to time party to the DIP Facility Documents defined as “Lenders” thereunder.

1.168 “Disbursing Agent” means one or more disbursing agents, to be designated by the Debtors prior to the Confirmation Hearing in consultation with the Creditors Committee, which may receive and make distributions to holders of Allowed Claims under and as provided in this Plan, including for purposes of making distributions to holders of Allowed Claims against the Cross-Border Debtors, if applicable, the Monitor.

1.169 “Disclosure Statement” means the Disclosure Statement with respect to this Plan approved by order of the Bankruptcy Court and all supplements, schedules and exhibits thereto.

1.170 “Disputed Claim” means any Claim against a Debtor to the extent that (a) the allowance of such Claim or any portion thereof is the subject of an objection, appeal or motion to estimate that has been timely filed by a party in interest and which objection, appeal or motion has not been determined by a Final Order, (b) such Claim is scheduled by the Debtors in the Schedules as disputed, contingent and/or unliquidated, (c) during the period prior to the deadline fixed by this Plan and/or the Bankruptcy Court for objecting to such Claim, such Claim is in excess of the amount scheduled as other than disputed, unliquidated or contingent, or (d) such Claim may be subject to section 502(d) of the Bankruptcy Code.

1.171 “Disputed Claims Agent Professionals’ Fee and Expense Claim(s)” has the meaning set forth in Section 4.3 of this Plan.

1.172 “Disputed Claims Pool” has the meaning set forth in Section 4.3 of this Plan.

1.173 “Disputed Claims Reserve” has the meaning set forth in Section 4.4(a) of this Plan.

1.174 “Disputed Indenture Trustee Fee Claims” has the meaning set forth in Section 10.13 of this Plan.

1.175 “Distribution Record Date” means other than with respect to any publicly held securities that will be cancelled pursuant to this Plan, the record date for purposes of making distributions under the Plan on account of Allowed Claims, which date shall be five Business Days from and after the Confirmation Date, except for Secured Funded Debt Claims for which such date shall be the Confirmation Date.

1.176 “DTC” means the Depository Trust Company, and its successors and assigns.

1.177 “EBITDA” means earnings before interest, taxes, depreciation and amortization.

1.178 “Effective Date” means the first Business Day this Plan becomes effective and is implemented in accordance with Article VII hereof.

1.179 “Eligible Claims” has the meaning set forth in the Backstop Commitment Agreement.

1.180 “Eligible Holders” has the meaning set forth in the Backstop Commitment Agreement.

1.181 “Employee Transferee” means any officer, director or employee of any of the Debtors on the Petition Date (i) who is not a director, officer or employee of any of the Debtors as of the Effective Date, and (ii) who received a payment or transfer, other than ordinary course wages, compensation or fees paid in the ordinary course, of more than \$75,000 during the applicable “look back” period under section 547 of the Bankruptcy Code.

1.182 “Employee Transferee Action” means any Avoidance Action against an Employee Transferee.

1.183 “Estate” means the estates of the Debtors, individually or collectively, as is appropriate in the context, created in the Chapter 11 Cases pursuant to section 541 of the Bankruptcy Code.

1.184 “Exculpated Claims” has the meaning set forth in Section 8.6 of this Plan.

1.185 “Exhibit” means any exhibit attached to or incorporated by this Plan.

1.186 “Exit Facility Documents” means the documentation providing for the Exit Financing Facilities, which documentation, or a summary thereof, shall (a) be set forth in a Plan Supplement filed by the Supplement Filing Date, or (b) be set forth in such other notice and

in such form as determined by the Debtors and as is reasonably acceptable to the Creditors Committee, filed on or before the Confirmation Hearing.

1.187 “Exit Financing Facilities” means collectively, the ABL Exit Financing Facility and the Term Loan Exit Financing Facility.

1.188 “Face Amount” means respecting a Claim, the amount equal to the first of the following that is applicable: (a) the amount fixed or estimated in an order of the Bankruptcy Court; (b) the liquidated amount set forth in a Proof of Claim; or (c) the amount of the Claim listed in the Schedules as liquidated or not contingent. If none of the foregoing applies, the Face Amount of the Claim shall be zero (\$0) dollars.

1.189 “Fee Claims” means Allowed Administrative Claims of Professionals.

1.190 “Final DIP Order” means the Final Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507 (1) Approving Postpetition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, and (5) Modifying the Automatic Stay (Conformed Version of Order [Docket No. 407]), entered by the Bankruptcy Court on June 4, 2009.

1.191 “Final Distribution Date” means a date selected by the Reorganized Debtors in consultation with the Post-Effective Date Claims Agent that is not later than thirty (30) days after the date on which (i) all Disputed Claims in the Chapter 11 Cases shall have been Allowed or disallowed pursuant to a Final Order of the Bankruptcy Court or any other court with competent jurisdiction over such Disputed Claims and (ii) with respect to the Cross-Border Debtors, the CCAA Monitor shall have certified to the Canadian Bankruptcy Court that the last Disputed Claim against the Cross-Border Debtors in the CCAA Proceedings has been finally resolved.

1.192 “Final Order” means an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the subject matter (a) that has not been reversed, stayed, modified or amended and as to which (i) any right to appeal or seek certiorari, review, reargument, stay or rehearing has been waived or (ii) the time to appeal or seek certiorari, review, reargument, stay or rehearing has expired and no appeal or petition for certiorari, review, reargument, stay or rehearing is pending or (b) as to which an appeal has been taken or petition for certiorari, review, reargument, stay or rehearing has been filed and (i) such appeal or petition for certiorari, review, reargument, stay or rehearing has been resolved by the highest court to which the order or judgment was appealed or from which certiorari, review, reargument, stay or rehearing was sought or (ii) the time to appeal further or seek certiorari, further review, reargument, stay or rehearing has expired and no such further appeal or petition for certiorari, further review, reargument, stay or rehearing is pending.

1.193 “Floating Rate Notes (2010)” means the Floating Rate Notes due March 15, 2010 issued by Bowater pursuant to the Floating Rate Notes (2010) Indenture.

1.194 “Floating Rate Notes (2010) Indenture” means the Senior Indenture dated as of March 17, 2004, as supplemented, among Bowater, as issuer, and the Floating Rate Notes (2010) Indenture Trustee.

1.195 “Floating Rate Notes (2010) Indenture Trustee” means the Bank of New York, and its successors and assigns, as Indenture Trustee under the Floating Rate Notes (2010) Indenture.

1.196 “Floating Rate Revenue Bonds (2029)” means the Tax-Exempt Adjustable Mode Solid Waste Disposal Facilities Revenue Bonds (Bowater Incorporated Project) Series 1999 due June 1, 2029 issued pursuant to the Floating Rate Revenue Bonds (2029) Indenture.

1.197 “Floating Rate Revenue Bonds (2029) Indenture” means the trust indenture dated as of June 1, 1999, as supplemented, between The Industrial Development Board of the County of McMinn, as issuer, and the Floating Rate Revenue Bonds (2029) Indenture Trustee.

1.198 “Floating Rate Revenue Bonds (2029) Indenture Trustee” means First-Citizens Bank & Trust Company, and its successors and assigns, as indenture trustee under the Floating Rate Revenue Bonds (2029) Indenture.

1.199 “Floating Rate Revenue Bonds (2029) Loan Agreement” means the Loan Agreement by and between the Industrial Development Board of the County of McMinn and Bowater relating to the Floating Rate Revenue Bonds (2029) dated as of June 1, 1999.

1.200 “Impaired” means “impaired” within the meaning of section 1124 of the Bankruptcy Code.

1.201 “Indemnity Obligations” has the meaning set forth in section 2.18 of this Plan.

1.202 “Indenture(s)” means the 6.50% Notes Indenture, 7.40% Revenue Bonds (2010) Indenture, 7.40% Revenue Bonds (2022) Indenture, 7.625% Revenue Bonds Indenture, 7.75% Revenue Bonds Indenture, 7.875% Senior Notes Indenture, 7.95% Notes Indenture, 8.00% Convertible Notes Indenture, 9.00% Debentures Indenture, 9.375% Debentures Indenture, 9.50% Debentures Indenture, 10.26% Senior Notes (Series D) Note Agreement, 10.50% Senior Notes (Series B) Note Agreement, 10.60% Senior Notes (Series C) Note Agreement, 10.625% Senior Notes (Series A) Note Agreement, 10.85% Debentures Indenture, 13.75% Senior Secured Notes Indenture, 15.50% Senior Notes Indenture, Floating Rate Notes (2010) Indenture and the Floating Rate Revenue Bonds (2029) Indenture.

1.203 “Indenture Trustee(s)” means the 6.50% Notes Indenture Trustee, 7.40% Revenue Bonds (2010) Indenture Trustee, 7.40% Revenue Bonds (2022) Indenture Trustee, 7.625% Revenue Bonds Indenture Trustee, 7.75% Revenue Bonds Indenture Trustee, 7.875% Senior Notes Indenture Trustee, 7.95% Notes Indenture Trustee, 8.00% Convertible Notes Trustee, 9.00% Debentures Indenture Trustee, 9.375% Debentures Indenture Trustee, 9.50% Debentures Indenture Trustee, 10.85% Debentures Indenture Trustee, 13.75% Senior Secured Notes Indenture Trustee, 15.50% Senior Notes Indenture Trustee, Floating Rate Notes (2010) Indenture Trustee and the Floating Rate Revenue Bonds (2029) Indenture Trustee, and in each case their successors and assigns.

1.204 “Indenture Trustee Fee Claims” has the meaning set forth in Section 10.13 of this Plan.

1.205 “Initial Distribution Date” means the first Business Day that is ten (10) days (or such longer period as may be reasonably determined by the Reorganized Debtors in consultation with the Post-Effective Date Claims Agent) after the Effective Date.

1.206 “Intercompany Claims” means a Claim by a Debtor or a CCAA Debtor against a Debtor or a CCAA Debtor other than the BCFC Contribution Claim.

1.207 “Intercompany Interest” means an Interest of a Debtor or a CCAA Debtor in another Debtor or a CCAA Debtor.

1.208 “Interest” means all rights (including unpaid dividends) arising from any equity security (as defined in section 101(16) of the Bankruptcy Code) of any of the Debtors, including, without limitation, preferred shares and the Common Stock, but excluding Common Stock Claims.

1.209 “Interim Distribution Date” means any date after the Initial Distribution Date on which the Reorganized Debtors determine, in consultation with the Post-Effective Date Claims Agent, that an interim distribution should be made to Class 6 or Class 7, in light of, inter alia, resolutions of Disputed Claims and the administrative costs of such a distribution and to the extent applicable with respect to the Cross-Border Debtors, as provided in the CCAA Plan.

1.210 “Liens” means, with respect to any interest in property, any mortgage, lien, pledge, charge, security interest, easement or encumbrance of any kind whatsoever affecting such interest in property.

1.211 “Litigation Claim” means all Causes of Action that any Debtor or Estate may hold against any Person or entity as of the Effective Date, except any Cause of Action that (a) may have been settled by the Debtors on or prior to the Effective Date or (b) shall be released by the Debtors pursuant to Article VIII hereof.

1.212 “L TIP” has the meaning set forth in Section 6.2(a) of this Plan.

1.213 “Master Agreement” has the meaning set forth in Section 5.1(h) of this Plan.

1.214 “Monitor” means Ernst & Young Inc. or any successor thereto appointed in accordance with any order of the Canadian Court.

1.215 “New ABH Common Stock” means the new common stock of Reorganized ABH which shall be issued on the Effective Date or authorized to be issued by Reorganized ABH at any time from and after the Effective Date.

1.216 “Ordinary Course Administrative Claim” means an Administrative Claim that arises in the ordinary course of the Debtors’ operations.

1.217 “Other Secured Claims” means a Secured Claim not classified in Class 2, Class 3 or Class 4 under this Plan.

1.218 “Person” means any person, including, without limitation, any individual, partnership, joint venture, venture capital fund, association, corporation, limited liability company, limited liability partnership, unlimited liability company, trust, trustee, executor, administrator, legal personal representative, estate, group, unincorporated association or organization or governmental unit.

1.219 “Petition Date” means April 16, 2009 for all Debtors other than ABH LLC 1 and ABH Holding Company LLC, and December 21, 2009 for ABH LLC 1 and ABH Holding Company LLC.

1.220 “Plan” means this Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, the Plan Supplement, and all addenda, exhibits, schedules and other attachments hereto, all of which are incorporated herein by reference, as the same may be amended from time to time, pursuant to this Plan, the Bankruptcy Code or the Bankruptcy Rules.

1.221 “Plan Supplement” means the Supplements to this Plan that will be filed on or before the Supplement Filing Date.

1.222 “Plan Support Agreement” means any plan support agreement entered into by ABH and the Backstop Parties, the form of which is attached as Exhibit D to the Backstop Commitment Agreement.

1.223 “Post-Effective Date Claims Agent” has the meaning set forth in Section 4.3 of this Plan.

1.224 “Post-Effective Date Claims Agent Avoidance Actions” has the meaning set forth in Section 4.3 of this Plan.

1.225 “Post-Effective Date Claims Agent Fund” has the meaning set forth in Section 4.3 of this Plan.

1.226 “President” means the president of any Reorganized Debtor.

1.227 “Priority Non-Tax Claims” means a Claim to the extent that it is of the kind described in, and entitled to priority under, section 507(a)(3), (4), (5) or (6) of the Bankruptcy Code, but other than any Priority Tax Claim.

1.228 “Priority Tax Claim” means a Claim to the extent that it is of the kind described in, and entitled to priority under, section 507(a)(8) of the Bankruptcy Code.

1.229 “Pro Rata Share” means the proportion that the amount of any Allowed Claim in a particular Class bears to the aggregate amount of all Allowed Claims in such Class, except in cases where Pro Rata Share is used in reference to multiple Classes of Claims, in which case Pro Rata Share means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of all Allowed Claims in such multiple Classes.

1.230 “Professional” means any Person retained by the Debtors or the Creditors Committee in the Chapter 11 Cases pursuant to a Final Order of the Bankruptcy Court entered pursuant to sections 327 or 1103 of the Bankruptcy Code.

1.231 “Proof of Claim” means a proof of claim filed by a holder of a Claim against any Debtor (as may be amended and supplemented from time to time pursuant to the Bankruptcy Code or Bankruptcy Rules) on or before the applicable Claims Bar Date, or such other time as may be permitted by the Bankruptcy Court or agreed to by the Debtors.

1.232 “Proven Claim” has the meaning set forth in the CCAA Plan.

1.233 “Proven Secured Claim” has the meaning set forth in the CCAA Plan.

1.234 “Record Holder” means the holder of a Claim or Interest as of the Distribution Record Date.

1.235 “Reinstated” means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim entitles the holder of such Claim, or (b) notwithstanding any contractual provision or applicable law that entitles the holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; (ii) reinstating the maturity of such Claim as such maturity existed before such default; (iii) compensating the holder of such Claim for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; (iv) if such Claim arises from any failure to perform a nonmonetary obligation under a nonresidential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensating the holder of such Claim for any pecuniary loss incurred by such holder as the result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the holder thereof.

1.236 “Released Party or Parties” has the meaning set forth in Section 8.5 of this Plan.

1.237 “Reorganized ABH” means, on and after the Effective Date, AbitibiBowater, as reorganized under and pursuant to this Plan.

1.238 “Reorganized Debtors” means, on and after the Effective Date, collectively, all of the surviving Debtors that are reorganized under and pursuant to this Plan.

1.239 “Reorganized U.S. Plan Sponsors” has the meaning set forth in Section 6.10 of this Plan.

1.240 “Restructuring Transactions” has the meaning set forth in Section 6.2 of this Plan.

1.241 “Retained Causes of Action” has the meaning set forth in Section 8.7 of this Plan.

- 1.242 “Rights Offering” has the meaning set forth in Section 6.12 of this Plan.
- 1.243 “Rights Offering Notes” has the meaning set forth in Section 6.12 of the Plan.
- 1.244 “Rights Offering Notes Indenture” has the meaning set forth in Section 6.12 of the Plan.
- 1.245 “Rights Offering Notes Registration Agreement” has the meaning set forth in Section 6.12 of the Plan.
- 1.246 “Sanction Order” means one or more orders of the Canadian Court sanctioning the CCAA Plan pursuant to the CCAA and Section 191 of the Canadian Business Corporations Act as such order may be amended, modified or varied from time to time.
- 1.247 “Schedules” means the Schedules of Assets and Liabilities filed in the Chapter 11 Cases, as amended, revised or modified from time-to time.
- 1.248 “Secretary” means any secretary of a Reorganized Debtor.
- 1.249 “Section” means any section of this Plan.
- 1.250 “Section 510 Actions” has the meaning set forth in Section 4.3 of this Plan.
- 1.251 “Section 1145 Cutback” has the meaning set forth in Section 6.12 of this Plan.
- 1.252 “Search Committee” has the meaning set forth in Section 6.7 of this Plan.
- 1.253 “Secured Claim” means a Claim that constitutes a secured claim under section 506(a) or 1111(b) of the Bankruptcy Code.
- 1.254 “Secured Funded Debt Administrative Agents” means collectively, the Bowater Secured Bank Agent, the BCFPI Secured Bank Agent and the ACCC Term Loan Agent.
- 1.255 “Secured Funded Debt Agreements” means collectively, the Bowater Secured Bank Documents, the BCFPI Secured Bank Documents and the ACCC Term Loan Secured Guaranty.
- 1.256 “Secured Funded Debt Claims” means collectively the Bowater Secured Bank Claims, the BCFPI Secured Bank Claims, and the ACCC Term Loan Secured Guaranty Claims.
- 1.257 “Secured Funded Debt Lenders” means collectively, the lenders and financial institutions from time to time party to the Secured Funded Debt Agreements.
- 1.258 “Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.259 “Securitization Claims” means any Claims arising under or relating to the Securitization Facility.

1.260 “Securitization Facility” means the receivables securitization facility made available to certain subsidiaries of ABH pursuant to that certain Second Amended and Restated Receivables Purchase Agreement, dated as of June 16, 2009, as amended, among Abitibi-Consolidated U.S. Funding Corp. as the seller, ACI and Abitibi Consolidated Sales Corporation as originators, Abitibi Consolidated Sales Corporation as servicer, ACI as subservicer, Citibank, N.A. as agent, and the banks named therein, and the other Transaction Documents (as defined therein).

1.261 “Securitization Order” means collectively (i) that certain Interim Order Pursuant to Sections 105, 362(d), 363(b)(I), 363(c)(2), 363(f), 363(l), 363(m), 364 (c)(1), 364(e) and 365 of the Bankruptcy Code (1) Authorizing Entry into an Amended and Restated Guaranteed Receivables Purchase Facility, (2) Authorizing the Sale of Receivables and Related Rights Pursuant to an Amended and Restated Securitization Program, (3) Authorizing ACSC to Cause Payment of Certain Fees Pursuant to the Engagement Letters, (4) Modifying the Automatic Stay, (5) Authorizing the Use of Cash Collateral, (6) Granting Superpriority Administrative Expense Claims, (7) Granting Adequate Protection, (8) Scheduling A Hearing and (9) Granting other Related Relief entered by the Bankruptcy Court on or about June 11, 2009 [Docket No. 458] and (ii) that certain Final Order Pursuant to Sections 105, 362(d), 363(b)(I), 363(c)(2), 363(f), 363(l), 363(m), 364 (c)(1), 364(e) and 365 of the Bankruptcy Code (1) Authorizing Entry into an Amended and Restated Guaranteed Receivables Purchase Facility, (2) Authorizing the Sale of Receivables and Related Rights Pursuant to an Amended and Restated Securitization Program, (3) Authorizing ACSC to Cause Payment of Certain Fees Pursuant to the Engagement Letters, (4) Modifying the Automatic Stay, (5) Authorizing the Use of Cash Collateral, (6) Granting Superpriority Administrative Expense Claims, (7) Granting Adequate Protection, (8) Scheduling A Hearing and (9) Granting other Related Relief [Docket No. 595].

1.262 “Series A-D Notes” has the meaning set forth in Section 3.4 of this Plan.

1.263 “STIPs” has the meaning set forth in Section 6.8(e) of this Plan.

1.264 “Supplement” means any supplement attached to or incorporated into this Plan, including the Plan Supplements.

1.265 “Supplement Filing Date” means the date or dates on which certain exhibits, schedules and supplements to this Plan, including the Plan Supplements, which shall be in a form reasonably acceptable to the Debtors, the Creditors Committee and the DIP Lenders shall be filed with the Bankruptcy Court, which date or dates shall be at least ten days (10) prior to the Voting Deadline.

1.266 “Term Loan Exit Financing Facility” means the senior secured term loan facility, that may take the form of a loan, high-yield notes, a bridge facility or other arrangement, to be entered into by the Reorganized Debtors and the lender(s) thereunder as contemplated in Section 6.11 of this Plan, pursuant to such documentation, or a summary thereof, that shall (a) be set forth in a Plan Supplement and filed by the Supplement Filing Date, or (b) be set forth in such

other notice and in such form as determined by the Debtors and as is reasonably acceptable to the Creditors Committee, filed on or before the Confirmation Hearing.

1.267 “UDAG Loan” means the 6.5% UDAG Promissory Note UDAG Loan due February 1, 2010 under which Bowater Newsprint South Operations LLC (f/k/a Newsprint South, Inc.) is the borrower.

1.268 “Unclaimed Property” means any distribution under the Plan that is unclaimed by the holder of the Allowed Claim entitled to such distribution ninety (90) days after the distribution date applicable to such distribution.

1.269 “Unions” has the meaning set forth in Section 5.1(h) of this Plan.

1.270 “Unsecured Claim” means a Claim that is not an Administrative Claim, a Priority Tax Claim, a Priority Non-Tax Claim, a Bowater Secured Bank Claim, a BCFPI Secured Bank Claim, an ACCC Term Loan Secured Guaranty Claim, an Other Secured Claim, a Secured Claim, a Convenience Claim, an Intercompany Claim, a Common Stock Claim or an Interest.

1.271 “Unsecured Note Claims” means all Claims arising under or relating to the Unsecured Notes, 13.75% Senior Secured Note Guaranty Claims, 15.50% Senior Note Guaranty Claims, 8.00% Convertible Notes Guaranty Claims, 7.95% Notes Guaranty Claims, 7.40% Revenue Bonds (2010) Loan Agreement, 7.40% Revenue Bonds (2022) Loan Agreement, 7.625% Revenue Bonds Loan Agreement and 7.75% Revenue Bonds Loan Agreement.

1.272 “Unsecured Notes” means the 6.50% Notes, 7.875% Senior Notes, 7.95% Notes, 8.00% Convertible Notes, 9.00% Debentures, 9.375% Debentures, 9.50% Debentures, 10.26% Senior Notes (Series D), 10.50% Senior Notes (Series B), 10.60% Senior Notes (Series C), 10.625% Senior Notes (Series A), 10.85% Debentures, Floating Rate Notes (2010) and UDAG Loan.

1.273 “Unsubscribed Notes” has the meaning set forth in the Backstop Commitment Agreement.

1.274 “U.S. Pension Plans” means the single-employer defined benefit plans indicated on Plan Supplement 7A.

1.275 “U.S. Plan Sponsors” has the meaning set forth in Section 6.10 of this Plan.

1.276 “Voting Deadline” means the date set in an order of the Bankruptcy Court as the deadline for the return of Ballots accepting or rejecting this Plan.

B. Interpretation. For purposes of this Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) unless otherwise provided in this Plan, any reference in this Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (c) unless otherwise provided in this Plan, any reference

in this Plan to an existing document or exhibit means such document or exhibit, as it may have been or may be amended, modified or supplemented pursuant to this Plan; (d) unless otherwise specified herein, any reference to a Person as a holder of a Claim includes that Person's successors, assigns and affiliates; (e) unless otherwise specified, all references in this Plan to sections, Articles, schedules, Supplements and Exhibits are references to sections, Articles, schedules, Supplements and Exhibits of or to this Plan; (f) the words "herein", "hereof" and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (g) captions and headings to Articles and sections are inserted for convenience of reference only and are not intended to be part of or to affect the interpretation of this Plan; and (h) the rules of construction set forth in section 102 of the Bankruptcy Code will apply.

C. Computation of Time. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

D. Currency Denomination. All references in this Plan to monetary figures shall refer to currency of the United States of America unless otherwise indicated.

ARTICLE II

CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

A. General Rules.

2.1 **Classification.** Pursuant to sections 1122 and 1123 of the Bankruptcy Code, the following designates the Classes of Claims and Interests under this Plan. A Claim or Interest is in a particular Class for purposes of voting on, and of receiving distributions pursuant to, this Plan only to the extent that such Claim or Interest is an Allowed Claim or Interest in that Class and such Claim or Interest has not been paid, released or otherwise settled prior to the Effective Date. A Claim or Interest shall be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class, and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified, although the treatment for such Claims is set forth below.

2.2 **Separate Plans.** The Plan does not provide for substantive consolidation of the Estates. Subject to Section 9.1 of this Plan, Claims that are asserted against multiple Debtors shall be treated as separate Claims against each applicable Debtor. The Plan also provides for rights of subrogation and contribution among each Debtor, as applicable, with respect to recoveries on Secured Funded Debt Claims. The aggregate recovery on an Allowed Claim from all sources, including distributions under this Plan, the CCAA Plan or a combination of both, regardless of whether on account of a theory of primary or secondary liability, by reason of guarantee, indemnity agreement, joint and several obligations or otherwise, shall not exceed 100% of the face amount of the underlying Allowed Claim.

B. Unclassified Claims.

2.3 Administrative Claims.

(a) General. Subject to the provisions of Article IV of this Plan and unless otherwise agreed to by the holder of an Allowed Administrative Claim (in which event such other agreement shall govern), each holder of an Allowed Administrative Claim shall be paid in full in Cash (i) at the sole option of the Debtors (before the Effective Date) or the Reorganized Debtors (on or after the Effective Date), (a) in the ordinary course of business as the Claim becomes due and owing or (b) on the Initial Distribution Date, or (ii) on such other date as the Bankruptcy Court may order; provided, however, any payment proposed to be made pursuant to subsection (i) above in the aggregate amount of \$500,000 or greater, that does not relate to an Allowed Administrative Claim incurred in the ordinary course of business, shall not be paid without the prior consent of the Creditors Committee, such consent not to be unreasonably withheld.

(b) No Double Payment of Administrative Claims. To the extent that an Administrative Claim is Allowed against the Estate of more than one Debtor, there shall be only a single recovery on account of such Allowed Administrative Claim. In addition, to the extent that any obligation that would otherwise constitute an Administrative Claim is paid as a CCAA Charge in the CCAA Proceedings, the payment of such CCAA Charge in the CCAA Proceedings shall be the only payment to be made on account of such Administrative Claim in the Chapter 11 Cases and the CCAA Proceedings.

2.4 Priority Tax Claims. Unless otherwise agreed to by the holder of an Allowed Priority Tax Claim (in which event such other agreement shall govern), each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Reorganized Debtors, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, but no later than thirty (30) days after the Effective Date, or (b) through equal annual installment payments in Cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim; (ii) over a period ending not later than 5 years after the Petition Date; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan. All Allowed Priority Tax Claims against any of the Debtors that are not due and payable on the Effective Date shall be paid in the ordinary course of business by the Reorganized Debtors in accordance with the applicable non-bankruptcy law governing such Claims.

2.5 DIP Facility Claims. On the Effective Date, if not previously repaid in full, all DIP Facility Claims shall be paid in full in Cash, or otherwise satisfied in a manner acceptable to the DIP Agent and each DIP Lender.

2.6 Securitization Claims. On the Effective Date, all outstanding receivables interests purchased under the Securitization Facility will be repurchased in Cash for a price equal to the par amount thereof plus accrued yield and fees and servicing fees payable under the Securitization Facility, and any unpaid fees and expenses or other amounts payable under the Securitization Facility, whether by a Debtor or an affiliate of the Debtors, if any, and any

Securitization Claims shall be paid in full in Cash. On the Effective Date, after all such receivables interests are repurchased and all such payments are made, the Securitization Facility shall be terminated, and all Securitization Claims and any claims against, or obligations of, Abitibi-Consolidated U.S. Funding Corp. arising under the Securitization Facility or under the Securitization Order shall be deemed fully satisfied and released.

2.7 Adequate Protection Claims. On the Effective Date, Adequate Protection Claims shall be deemed satisfied in full by all interest payments and professional fee payments made by the applicable Debtors pursuant to, and in accordance with, the DIP Facility Order and the Securitization Order (as applicable).

C. Classified Claims and Interests.

2.8 Class 1 – Priority Non-Tax Claims.

(a) Classification. Classes 1A through 1HH (collectively, the “Class 1 Claims”), as set forth on Exhibit B1, consist of all Priority Non-Tax Claims.

(b) Allowance. Class 1 Claims shall be allowed or disallowed in accordance with Article IV of this Plan and applicable provisions of the Bankruptcy Code and Bankruptcy Rules.

(c) Treatment. Unless otherwise agreed to by the holder of an Allowed Priority Non-Tax Claim (in which event such agreement shall govern), each holder of an Allowed Class 1 Claim, in full satisfaction of such Claim, shall be paid in full in Cash on the later of the Initial Distribution Date and a date that is as soon as practicable after the date upon which such Claim becomes an Allowed Priority Non-Tax Claim.

(d) Impairment and Voting. Class 1 Claims are unimpaired and the holders thereof are not entitled to vote on this Plan.

2.9 Class 2 – Bowater Secured Bank Claims.

(a) Classification. Class 2A through 2G (collectively, the “Class 2 Claims”), as set forth on Exhibit B2, consist of all Bowater Secured Bank Claims.

(b) Allowance. Class 2 Claims shall be Allowed Claims pursuant to this Plan in the principal amount as set forth on Exhibit B2 plus any amounts, all to the extent not otherwise included in the amount set forth on Exhibit B2, for interest, fees and other amounts outstanding (including (i) reimbursement obligations for Bowater Secured Bank Letters of Credit; (ii) accrued interest at the default rate plus reasonable professional fees; and (iii) Obligations as such term is defined in the Bowater Secured Bank Documents) under the Bowater Secured Bank Documents.

(c) Treatment. Holders of Class 2 Claims, in full satisfaction of such Claims (other than Claims in respect of Bowater Secured Bank Letters of Credit), shall (i) be paid in full in Cash on, or as soon as practicable after but in any event, not later than five (5) business days after, the Effective Date, or (ii) receive such treatment as otherwise agreed to by

the Debtors and the holders of such Claims. In addition, in full satisfaction of Claims in respect of Bowater Secured Bank Letters of Credit, holders of Class 2 Claims shall receive on, or as soon as practicable after, the Effective Date, the return of the original letters of credit marked “cancelled”, or “back up” letters of credit or cash collateral provided to or held by the Issuing Lender (as defined in the Bowater Secured Bank Documents), in each case in the amount of 105% of the face amount of the Bowater Secured Bank Letters of Credit, or treatment on such other terms as the Debtors and holders of such Claims may agree; provided, however, that any “back up” letters of credit provided hereunder must be issued by financial institutions that are reasonably satisfactory to the Debtor or Reorganized Debtors and the Bowater Secured Bank Agent and the Issuing Lender; provided further, however, that the Bowater Secured Bank Documents shall govern the amount of any fees or other costs and expenses (if any) payable on account of the Bowater Secured Bank Letters of Credit. In no event shall holders of Class 2 Claims receive aggregate distributions on account of Class 2 Claims under this Plan or the CCAA Plan in excess of the Allowed amount of the Bowater Secured Bank Claims.

(d) Impairment and Voting. Class 2 Claims are unimpaired and the holders thereof are not entitled to vote on this Plan.

2.10 Class 3 – BCFPI Secured Bank Claims.

(a) Classification. Class 3A through 3G (collectively, the “Class 3 Claims”), as set forth on Exhibit B3, consist of all BCFPI Secured Bank Claims.

(b) Allowance. Class 3 Claims shall be Allowed Claims pursuant to this Plan in the principal amount as set forth on Exhibit B3 plus any amounts, all to the extent not otherwise included in the amount set forth on Exhibit B3, for interest, fees and other amounts outstanding (including (i) reimbursement obligations for BCFPI Secured Bank Letters of Credit; (ii) accrued interest at the default rate plus reasonable professional fees; and (iii) Obligations as such term is defined in the BCFPI Secured Bank Documents) under the BCFPI Secured Bank Documents.

(c) Treatment. Holders of Class 3 Claims, in full satisfaction of such Claims (other than Claims in respect of BCFPI Secured Bank Letters of Credit), shall (i) be paid in full in Cash on, or as soon as practicable after, but in any event not later than five (5) business days after, the Effective Date and in the currency as set forth in paragraph L(vii) of the Final DIP Order, or (ii) receive such treatment as otherwise agreed to by the Debtors and the holders of such Claims. In addition, in full satisfaction of Claims in respect of BCFPI Secured Bank Letters of Credit, either (i) holders of Class 3 Claims shall receive on, or as soon as practicable after, but in any event not later than five (5) business days after, the Effective Date, cash collateral in the aggregate face amount of the BCFPI Secured Bank Letters of Credit plus an amount sufficient to cover all fees for the term of each BCFPI Secured Bank Letter of Credit and in the currency of such BCFPI Secured Bank Letter of Credit, (ii) the BCFPI Secured Bank Agent shall have received undrawn the original BCFPI Secured Bank Letters of Credit marked “cancelled” and such BCFPI Secured Bank Letters of Credit shall be extinguished, or (iii) the holders of Class 3 Claims shall receive such other treatment with respect to the BCFPI Secured Bank Letters of Credit on such other terms as to which the Debtors and holders of such Claims may agree. In no event shall holders of Class 3 Claims receive aggregate distributions on account of such Class 3

Claims under this Plan or the CCAA Plan in excess of the Allowed amount of the BCFPI Secured Bank Claims.

(d) Impairment and Voting. Class 3 Claims are unimpaired and the holders thereof are not entitled to vote on this Plan.

2.11 Class 4 – ACCC Term Loan Secured Guaranty Claims.

(a) Classification. Classes 4A through 4G (collectively, the “Class 4 Claims”), as set forth on Exhibit B4, consist of all ACCC Term Loan Secured Guaranty Claims.

(b) Allowance. Subject to Section 9, Class 4 Claims shall be Allowed Claims pursuant to this Plan in the principal amount of \$346,898,769.39, together with all accrued and unpaid interest (including default rate interest), costs, fees, expenses and other amounts outstanding to the extent provided under the ACCC Term Loan Documents, calculated through and including the date on which the distributions are actually made to the holders of the Class 4 Claims.

(c) Treatment. Holders of Class 4 Claims, in full satisfaction of such Claims, shall (i) be paid in full in Cash (including through the release of Cash held in escrow by the ACCC Term Loan Agent in the amount of \$3,285,902.23 pursuant to the terms of the Securitization Order) on, or as soon as practicable after, the Effective Date, or (ii) receive such treatment as otherwise agreed by the Debtors and the holders of such Claims.

(d) Impairment and Voting. Class 4 Claims are unimpaired and the holders thereof are not entitled to vote on this Plan.

2.12 Class 5 – Other Secured Claims.

(a) Classification. Classes 5A through 5HH (collectively, the “Class 5 Claims”), as set forth on Exhibit B5, consist of all Other Secured Claims.

(b) Allowance. Class 5 Claims shall be allowed or disallowed to the extent permitted by section 506 of the Bankruptcy Code and other applicable provisions of the Bankruptcy Code and Bankruptcy Rules in accordance with Article IV of this Plan.

(c) Treatment. Each holder of an Allowed Class 5 Claim shall, in full satisfaction of such Claim, at the sole option of the Debtors, be (i) paid in full in Cash on the Initial Distribution Date, (ii) reinstated according to the terms of the relevant instrument, (iii) paid on such other terms as the Debtors and the holder of such Claim may agree, or (iv) satisfied through the surrender by the applicable Debtors of the collateral securing the Claim to the holder thereof.

(d) Impairment and Voting. Class 5 Claims are unimpaired and the holders thereof are not entitled to vote on this Plan.

2.13 Class 6 – Unsecured Claims.

(a) Classification. Classes 6A through 6HH (collectively, the “Class 6 Claims”), as set forth on Exhibit B6, consist of all Unsecured Claims.

(b) Allowance and Acknowledgment. (i) Subject to Section 9 of this Plan, Class 6 Claims shall be allowed or disallowed in accordance with Article IV of this Plan and applicable provisions of the Bankruptcy Code and Bankruptcy Rules; provided, however, that, notwithstanding anything in the Debtors’ Schedules to the contrary, and unless otherwise agreed to by the Debtors or ordered by the Bankruptcy Court, the Unsecured Note Claims set forth on Exhibit B6 shall be Allowed Class 6 Claims solely in the amount set forth, and against the applicable Debtor(s) identified, in Exhibit B6.

(ii) Acknowledgment. Bowater acknowledges that at least one of the BCFC Contribution Claim or the 7.95% Notes Guaranty Claim will be an Allowed Claim in Class 6S against Bowater. Subject to Bowater’s rights to settle such Claims, the Court shall determine whether such Allowed Claim is on account of (i) the BCFC Contribution Claim and/or (ii) the 7.95% Notes Guaranty. This acknowledgment shall not be interpreted to prejudice the rights, if any, of any party in interest to seek to have Allowed the 7.95% Notes Guaranty Claim or the BCFC Contribution Claim or both, or the rights of any party in interest to object to one or both of such Claims on any basis.

(c) Treatment. Subject to Section 9 of this Plan, each holder of an Allowed Class 6 Claim shall, in full satisfaction of such Claim, (i) receive its Pro Rata Share of the number of shares of New ABH Common Stock allocated to the Debtor against which such Claim is Allowed as set forth in Exhibit B6 attached hereto, subject to Dilution; and (ii) to the extent eligible, be entitled to participate in the portion of the Rights Offering allocated to the Debtor against which such Claim is Allowed based on the allocations of New ABH Common Stock allocated to such Debtor as set forth in Exhibit B6 attached hereto. The provisions of this Plan relating to distributions on account of the 13.75% Senior Secured Note Guaranty Claims shall not apply to the extent that the 13.75% Senior Secured Notes Claims are paid in full in the CCAA Proceedings on or before the Effective Date of this Plan. To the extent Allowed, the BCFC Contribution Claim shall be classified and treated as a Class 6 Claim against Bowater for purposes of this Plan, and any portion of the Rights Offering allocated on account of such Claim shall be allocated for the benefit of creditors of BCFC to be exercised by such creditors as if such creditors were the holders of the BCFC Contribution Claim.

(d) Impairment and Voting. Class 6 Claims are impaired and the holders thereof are entitled to vote on this Plan.

2.14 Class 7 – Convenience Claims.

(a) Classification. Classes 7A through 7HH (collectively, the “Class 7 Claims”), as set forth on Exhibit B7, consist of all Convenience Claims.

(b) Allowance. Class 7 Claims shall be allowed or disallowed in accordance with Article IV of this Plan and applicable provisions of the Bankruptcy Code and Bankruptcy Rules.

(c) Treatment. Each holder of an Allowed Class 7 Claim shall, in full satisfaction of such Claim, be paid in Cash in an amount equal to the lesser of 50% of (i) \$5,000 or (ii) the amount of its Allowed Class 7 Claim; provided, however, that if the holders of Class 7 Claims against any Debtor do not accept the Plan by the requisite majorities set forth in section 1126(c) of the Bankruptcy Code, then the holders of Allowed Convenience Claims for such Debtor shall be treated as holders of Class 6 Claims against such Debtor, and shall be treated in accordance with Section 2.13 of this Plan.

(d) Impairment and Voting. Class 7 Claims are impaired and the holders thereof are entitled to vote on this Plan.

2.15 Class 8 – Intercompany Claims and Intercompany Interests.

(a) Classification. Class 8 consists of all Intercompany Claims and Intercompany Interests (collectively, the “Class 8 Claims and Interests”).

(b) Allowance. Subject to Sections 6.2, 6.3 and 6.17 of this Plan, and except as otherwise ordered by the Bankruptcy Court with respect to a particular Intercompany Claim or Intercompany Interest, on the Effective Date, at the option of the Debtors or the Reorganized Debtors, the Intercompany Claims shall either be (a) Reinstated, in full or in part, and treated in the ordinary course of business, or (b) cancelled and discharged, in full or in part; provided, however, that any election by the Debtors or the Reorganized Debtors hereunder shall not impact any recoveries under this Plan.

(c) Treatment. Unless otherwise ordered by the Bankruptcy Court with respect to a particular Intercompany Claim or Intercompany Interest, and subject to Sections 6.2, 6.3 and 6.17 hereof, holders of Intercompany Claims and Intercompany Interests shall not receive or retain any property on account of such Intercompany Claims and Intercompany Interests to the extent such claim is cancelled and discharged as provided in Section 2.15(b).

(d) Impairment and Voting. Class 8 Claims and Interests are impaired, shall be deemed to accept this Plan and shall not vote on this Plan.

2.16 Class 9 – Common Stock Claims and Interests.

(a) Classification. Classes 9A through 9HH (collectively, the “Class 9 Claims and Interests”) consist of all Common Stock Claims and Interests.

(b) Treatment. Common Stock Claims and Interests shall be cancelled, and the holders of Common Stock Claims and Interests shall not be entitled to receive or retain any property on account of such Claims and Interests.

(c) Impairment and Voting. Class 9 Claims and Interests are impaired and deemed to reject the Plan, and the holders thereof are not entitled to vote to accept or reject the Plan.

2.17 Limits on Certain Distributions. No agreements for the treatment of Claims permitted in Section 2.3 through and including Section 2.12 (if any) shall provide for distributions of New ABH Common Stock to holders of Claims in such sections. For the avoidance of doubt, no distributions of New ABH Common Stock shall be made on account of Administrative Claims, Priority Tax Claims, DIP Facility Claims, Securitization Claims, Adequate Protection Claims and Claims in Class 1, Class 2, Class 3, Class 4 and Class 5.

2.18 Prepetition Indemnification and Reimbursement Obligations. All respective obligations, whether pursuant to certificates of incorporation, codes of regulation, by-laws, limited liability company agreements, limited liability partnership agreements, applicable state or non-bankruptcy law, or specific agreement or any combination of the foregoing, of the Debtors and Reorganized Debtors to indemnify and reimburse persons who are directors, officers, managers, employees or agents of any of the Debtors as of the Petition Date (collectively, the "Indemnity Obligations"), shall be treated as if they are executory contracts that are assumed pursuant to Section 365 of the Bankruptcy Code under the Plan as of the Effective Date, and such obligations shall survive confirmation of the Plan, shall remain unaffected by the Plan, and shall not be discharged or impaired by the Plan, irrespective of whether the indemnification or reimbursement obligation is owed in connection with any event occurring before, on or after the Petition Date, it being understood that all indemnification provisions in place on and prior to the Effective Date for directors, officers, managers or employees and agents of the Debtors shall survive the effectiveness of the Plan for claims related to or in connection with any actions, omissions or transactions prior to the Effective Date (including prior to the Petition Date); provided, however, that the Debtors' and Reorganized Debtors' liability for such obligations shall be limited to professional fees and expenses arising from and related to such obligations; and provided further, however, that the Indemnity Obligations shall not apply to any Employee Transferee for any Employee Transferee Action and any professional fees and expenses arising from such action. Additionally, the Debtors or Reorganized Debtors, as the case may be, shall maintain directors' and officers' insurance providing coverage for those indemnitees currently covered by such policies (including Employee Transferees) (collectively, the "D&O Insured") for the remaining term of such policy and shall maintain tail coverage under policies in existence as of the Effective Date for a period of six years after the Effective Date, in scope and amount substantially similar as currently maintained by the Debtors (including any self-insurance, the "Insurance Coverage"), and consistent with historical practice, hereby further additionally indemnify the D&O Insured solely to pay for any deductible or retention amount that may be payable in connection with any claim covered under either the foregoing Insurance Coverage or any prior similar policy.

2.19 Preservation of Subordination Rights.

(a) Nothing contained in this Plan shall be deemed to modify, impair, terminate or otherwise affect in any way the rights of any entity (as that term is defined in section 101(15) of the Bankruptcy Code) under section 510(a) of the Bankruptcy Code, and all such rights are expressly preserved under this Plan. The treatment set forth in this Article II and the distributions to the various Classes of Claims hereunder shall not affect the right of any Person to levy, garnish, attach, or employ any other legal process with respect to such distributions by reason of any claimed subordination rights or otherwise. All such rights and any agreements relating thereto shall remain in full force and effect, except as otherwise expressly compromised and settled pursuant to the Plan.

(b) Distributions shall be subject to and modified by any Final Order directing distributions other than as provided in the Plan. The right of the Debtors or any other entity to seek subordination of any Claim pursuant to section 510 of the Bankruptcy Code is fully reserved except as set forth in Article VIII below, and the treatment afforded any Claim that becomes a subordinated Claim at any time shall be modified to reflect such subordination. Unless the Confirmation Order provides otherwise, no distribution shall be made to the holder of a subordinated Claim on account of such claim until the rights or the holders of Claims senior to such Claim have been satisfied.

ARTICLE III
VOTING AND DISTRIBUTIONS

3.1 Voting of Claims. Each holder of an Allowed Claim in an impaired Class of Claims that is entitled to vote on the Plan pursuant to Article II of this Plan shall be entitled to vote separately to accept or reject the Plan as provided in such order as is entered by the Bankruptcy Court establishing procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

(a) Non-Consensual Confirmation. If at least one (1) Class of Claims or Interests that is Impaired under the Plan votes to reject the Plan or is deemed to reject the Plan, the Debtors may seek to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code.

(b) Deemed Acceptance if No Votes Cast. If no holders of Claims or Interests eligible to vote in a particular Class vote to accept or reject the Plan, the Plan shall be deemed accepted by the holders of such Claims or Interests in such Class.

(c) Elimination of Vacant Classes. Any Class of Claims or Interests that does not have a holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

(d) Votes Regarding Cross-Border Debtors. The Cross-Border Claims Voting Protocol shall govern the voting of Claims to accept or reject the Plan with respect to the Cross-Border Debtors.

3.2 Distributions to Secured Funded Debt Claims. Distributions under this Plan to holders of Secured Funded Debt Claims in Classes 2 through 4 shall be made to the applicable Secured Funded Debt Administrative Agent and shall be distributed by the Secured Funded Debt Administrative Agents to the applicable Secured Funded Debt Lenders, in accordance with the terms of the applicable Secured Funded Debt Agreements, in satisfaction of all amounts owing by the Debtors and the CCAA Debtors under the Secured Funded Debt Agreements as of the date of distribution to the applicable Secured Funded Debt Administrative Agent. Distributions of Cash to holders of Claims in Classes 2 through 4 shall be made based on the amount of such Claims held by such holders as set forth in the books and records of the Secured Funded Debt Administrative Agents as of the close of business on the Confirmation Date, and in accordance with the Secured Funded Debt Agreements, after giving effect to payments made prior to the Effective Date in satisfaction of Adequate Protection Claims arising under the DIP Facility Order and the Securitization Order, as applicable.

3.3 Distributions to Holders of Allowed Convenience Class Claims. Subject to Section 4.4 and Section 9 of this Plan, on the Effective Date, or as soon as practicable thereafter, Reorganized ABH shall deliver to the Disbursing Agent for distribution on behalf of the Debtors to holders of Allowed Convenience Claims, Cash in an amount sufficient to make distributions in accordance with Article II of this Plan. Thereafter, the Disbursing Agent shall distribute to the holder of a Disputed Claim that becomes an Allowed Convenience Claim the Cash to which such holder is then entitled under the Plan (i) as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim, in whole or in part, becomes a Final Order, (ii) at the next applicable Interim Distribution Date, or (iii) at such other time as is reasonably practicable under the circumstances, but in any event, no later than the Final Distribution Date.

3.4 Distributions to Holders of Unsecured Note Claims. The Indenture Trustees for each series of Unsecured Notes shall be deemed to be the holders of all Unsecured Note Claims, as applicable, for purposes of distributions to be made hereunder, and all distributions on account of such Unsecured Note Claims, shall be made to or on behalf of the applicable Indenture Trustees or in the absence of an Indenture Trustee, to the Debtors or other agent. The Debtors or Reorganized Debtors, or other agent selected by the Debtors or Reorganized Debtors, shall fulfill the role of the indenture trustee for holders of 10.26% Senior Notes (Series D), 10.50% Senior Notes (Series B), 10.60% Senior Notes (Series C), and 10.625% Senior Notes (Series A) (the “Series A-D Notes”). Each Indenture Trustee shall hold or direct such distributions for the benefit of the holders of Allowed Unsecured Note Claims, as applicable, in accordance with the terms of the applicable indenture. As soon as practicable following compliance with the requirements set forth in Section 6.16 of this Plan, the Indenture Trustee shall (a) arrange to deliver such distributions to or on behalf of such holders of Allowed Unsecured Note Claims, (b) retain, and if necessary, exercise their charging liens against any such distributions, and (c) seek compensation and reimbursement for any reasonable fees and expenses incurred in making such distributions, which shall be an obligation of the Reorganized Debtors.

3.5 Distributions to Holders of Allowed Unsecured Claims Other than Unsecured Note Claims.

(a) The Disbursing Agent shall make distributions of New ABH Common Stock to holders of Allowed Claims in Class 6, other than holders of Unsecured Note Claims, as follows:

(i) On the Initial Distribution Date, the Disbursing Agent shall distribute the New ABH Common Stock allocable to such Allowed Unsecured Claims as of the Distribution Record Date to or at the direction of the Indenture Trustees and to holders of Allowed Unsecured Claims, as applicable.

(ii) On any Interim Distribution Date, the Disbursing Agent shall make interim distributions of New ABH Common Stock to or at the direction of the Indenture Trustees and to holders of Allowed Claims in Class 6, as applicable, pursuant to and consistent with Section 4.4 of this Plan.

(iii) On the Final Distribution Date, the Disbursing Agent shall make the balance of all distributions to or at the direction of the Indenture Trustees and to holders of Allowed Claims in Class 6 as applicable and as required under this Plan.

(b) Notwithstanding any other provision of this Plan, all distributions to holders of Unsecured Note Claims shall be made in accordance with the terms of this Plan and the applicable Indenture.

3.6 Distributions of Rights Offering Notes. Distributions of Rights Offering Notes to Eligible Holders of Allowed Claims and Disputed Claims that timely and validly exercised their Subscription Rights will be made upon consultation with the Creditors Committee and pursuant to procedures implemented by the Debtors or Reorganized Debtors that are not inconsistent with the Backstop Commitment Agreement and related procedures approved by the Bankruptcy Court.

3.7 Miscellaneous Distribution Provisions.

(a) Distribution Record Date. All Distributions on account of Allowed Claims shall be made to the Record Holders of such Claims. As of the close of business of the Distribution Record Date, the Claims register maintained by the Claims and Noticing Agent shall be closed, and there shall be no further changes regarding the Record Holder of any Claim. The Reorganized Debtors, the Secured Funded Debt Administrative Agents and any Disbursing Agents shall have no obligation to recognize any transfer of any Claim occurring after the Distribution Record Date. The Reorganized Debtors shall instead be entitled to recognize and deal for all purposes under this Plan with the Record Holders as of the Distribution Record Date. As of the close of business on the Distribution Record Date, the transfer ledgers for the Secured Funded Debt Administrative Agents shall be deemed closed, and the Secured Funded Debt Administrative Agents may take whatever action is necessary to close the transfer ledgers and there shall be no further transfers or changes in the Record Holders of such securities in such transfer ledgers. PLEASE NOTE THAT IF YOU ACQUIRE A CLAIM FOLLOWING THE DISTRIBUTION RECORD DATE, YOU WILL NOT RECEIVE A DISTRIBUTION FROM

THE DEBTORS OR THE REORGANIZED DEBTORS ON ACCOUNT OF SUCH CLAIM. IN ADDITION, IF YOU SELL OR TRANSFER YOUR CLAIM BEFORE THE DISTRIBUTION RECORD DATE, YOU WILL NOT RECEIVE A DISTRIBUTION ON ACCOUNT OF SUCH CLAIM.

(b) No Interest. Except as specifically provided for in this Plan, and without limiting any right to interest on account of the 13.75% Senior Secured Notes Claims in the CCAA Proceedings if any, no Claims (including Administrative Claims), Allowed or otherwise, shall be entitled, under any circumstances, to receive any interest on such Claim under this Plan.

(c) Foreign Currency Exchange Rate. Except as specifically provided for in this Plan or an order of the Bankruptcy Court, as of the Effective Date, any Claim asserted in currency other than U.S. dollars shall be automatically deemed converted to the equivalent U.S. dollar value using the Bank of Canada's noon spot rate as of the Petition Date (CDN\$1 – US\$0.8290) for all purposes under this Plan, including voting, allowance and distribution.

(d) Fractional Plan Securities and De Minimis Distributions. Notwithstanding any other provision of this Plan, only whole numbers of shares of New ABH Common Stock shall be issued. When any distribution on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New ABH Common Stock that is not a whole number, the actual distribution of such shares shall be rounded to the next higher or lower whole number of shares as follows: (i) fractions equal to or greater than $\frac{1}{2}$ shall be rounded to the next higher whole number; and (ii) fractions less than $\frac{1}{2}$ shall be rounded to the next lower number. No consideration shall be provided in lieu of fractional shares that are rounded down.

The Debtors or the Reorganized Debtors, as the case may be, shall not be required to, but may in their sole and absolute discretion, make Cash distributions to any holder of a Claim in an amount less than \$10. In addition, the Debtors and the Reorganized Debtors shall not be required to, but may in their sole and absolute discretion, make any payment on account of any Claim in the event that the costs of making such payment exceeds the amount of such payment.

(e) Fractional Cents. Any other provision of this Plan notwithstanding, no payment of fractional cents will be made. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent.

(f) Distributions on Non-Business Days. Any payment or distribution due on a day other than a Business Day shall be made, without interest, on the next Business Day.

(g) Partial Distributions on Disputed Claims. In consultation with the Post-Effective Date Claims Agent and the Debtors or the Reorganized Debtors as applicable, the Disbursing Agent may make partial distributions of New ABH Common Stock to holders of Disputed Claims for the amount of the undisputed portion of such holder's Disputed Claim

unless such Claim is a Disputed Claim because of Section 502(d) of the Bankruptcy Code, in which case no distributions shall be made until such Disputed Claim becomes an Allowed Claim

(h) Disputed Payments. If any dispute arises as to the identity of the holder of an Allowed Claim entitled to receive any distribution under this Plan, the Reorganized Debtors may retain such distribution until its disposition is determined by a Final Order or written agreement among the interested parties to such dispute.

(i) Unclaimed Property. Holders of Allowed Claims to Unclaimed Property shall cease to be entitled thereto, and such Unclaimed Property shall revert to the Reorganized Debtors.

(j) Voting of New ABH Common Stock. New ABH Common Stock that is Unclaimed Property or reserved for Disputed Claims shall be voted by the Disbursing Agent at any meeting of the stockholders of Reorganized ABH in an equal proportion to the votes of other stockholders.

(k) Post-Consummation Effect of Evidence of Claims or Interests. Notes, stock certificates and other evidence of Claims against or Interests in the Debtors shall, effective on the Effective Date, represent only the right to participate in the distributions contemplated by this Plan and shall not be valid or effective for any other purpose.

(l) Setoffs and Recoupment. The Reorganized Debtors may, but shall not be required to, setoff or recoup against any Allowed Claim and the distributions to be made pursuant to this Plan on account of such Claim, claims of any nature that the Debtors or Reorganized Debtors may have against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff or recoupment nor the allowance of any Claim against the Debtors or the Reorganized Debtors shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any setoff or recoupment claim that the Debtors or the Reorganized Debtors may possess against such holder.

(m) Compliance with Tax Requirements. In connection with this Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant to this Plan that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of this Plan, each Person that has received any distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligation imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution.

ARTICLE IV

PROCEDURES FOR DETERMINATION OF CLAIMS AND INTERESTS

4.1 Bar Date for Certain Administrative Claims. All applications for final allowance of Fee Claims, and all other requests for the payment of Administrative Claims (other than Ordinary Course Administrative Claims), must be filed with the Bankruptcy Court and served on the Reorganized Debtors and their counsel at the addresses set forth in Section 10.14

of this Plan not later than thirty (30) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Any request for the payment of an Administrative Claim that is not timely filed and served shall be discharged and forever barred and the holder of such Administrative Claim shall be enjoined from commencing or continuing any action, process, or act to collect, offset or recover such Claim. The Debtors and the Reorganized Debtors shall have sole responsibility for filing objections to and resolving all requests for the allowance of Administrative Claims; provided, however, the Creditors Committee (or the Post-Effective Date Claims Agent, as applicable) shall have the right to file an objection to any Fee Claims asserted by Professionals retained on behalf of the Debtors.

4.2 Objections To Claims. Objections to any Claim filed by any party other than the Debtors (other than Administrative Claims governed by Section 4.1 of this Plan) or the Post-Effective Date Claims Agent must be filed no later than twenty (20) days before the Effective Date. To the extent any property is distributed to a Person on account of a Claim that is not an Allowed Claim, such property shall be held in trust for and shall promptly be returned to the Reorganized Debtors. Subject to Section 4.3 of this Plan, the Debtors, Reorganized Debtors or the Post-Effective Date Claims Agent shall file objections on or before the Claims Objection Deadline to any Claim that is not an Allowed Claim as of the Effective Date.

4.3 Post-Effective Date Claims Agent and Authority to Prosecute Objections.

(a) On and as of the Effective Date, an agent, as selected by the Creditors Committee and subject to the Debtors' reasonable consent, shall act as the agent for the Estates (the "Post-Effective Date Claims Agent") in evaluating and prosecuting (i) objections to Disputed Claims in Classes 1, 5 and 6 that (A) are Filed in an amount of \$75,000 or more and are not listed on the Schedules or (B) as to which the variance between (1) the amount of such Claim as Filed and (2) the liquidated, non-contingent and undisputed amount for which such Claim is listed on the Schedules is \$75,000 or more (subparts (1) and (2) together, the "Disputed Claims Pool"), (ii) Avoidance Actions to recover any alleged transfers made to any entity that received payments or transfers during the applicable "look back" period (the "Post-Effective Date Claims Agent Avoidance Actions"); provided however, that the Post-Effective Date Claims Agent Avoidance Actions shall not include potential preference claims under section 547 of the Bankruptcy Code (x) with respect to vendors that are sole source suppliers or that offer the Debtors favorable trade terms, as set forth on a list to be compiled by the Debtors and approved by the Creditors Committee in the Creditors Committee's sole discretion, on or prior to the Effective Date, or (y) that involve payments or transfers made during the applicable "lookback" period that in the aggregate are less than \$350,000 per transferee, or (z) against any persons who are directors, officers, managers, employees or agents of any of the Debtors as of and including the Effective Date; and further provided, however, that the Post-Effective Date Claims Agent Avoidance Actions shall not include any avoidance claims covered by the 8.00% Convertible Notes Stipulation, and (iii) actions brought pursuant to section 510(b) or (c) of the Bankruptcy Code (the "Section 510 Actions"). For the avoidance of doubt, the Post-Effective Date Claims Agent may use a Post-Effective Date Claims Agent Avoidance Action to object under section 502(d) of the Bankruptcy Code to any Claim of an entity or transferee subject to Section 502(d) of the Bankruptcy Code on account of such Post-Effective Date Claims Agent Avoidance Action.

(b) The Post-Effective Date Claims Agent's compensation shall be approved by the Debtors and the Creditors Committee prior to the Effective Date. Any adjustment in the Post-Effective Date Claims Agent's compensation shall be subject to the approval of the Reorganized Debtors but may not be adjusted downward prior to the second anniversary of the Effective Date; provided, however, that the Post-Effective Date Claims Agent shall be entitled to such compensation only up to and through the earlier to occur of (x) the date on which all Disputed Claims in the Disputed Claims Pool and all Post-Effective Date Claims Agent Avoidance Actions have been resolved or adjudicated pursuant to a Final Order and (y) the date on which such Post-Effective Date Claims Agent resigns, terminates his or her engagement as Post-Effective Date Claims Agent or is removed pursuant to Section 4.3(e).

(c) Subject to the terms and provisions of this Section 4.3 and except as otherwise set forth in this subsection or Section 4.3(d), the Post-Effective Date Claims Agent shall be authorized and empowered to evaluate, make, file, prosecute, settle and abandon objections to (i) any Disputed Claims in the Disputed Claims Pool, (ii) any Post-Effective Date Claims Agent Avoidance Actions, and (iii) any Section 510 Actions; provided, however, that the resolution of all Claims against the Cross-Border Debtors remain subject to the Cross-Border Claims Reconciliation Protocol and the Post-Effective Date Claims Agent shall have the rights and duties of the Creditors Committee under the Cross-Border Claims Reconciliation Protocol. The Post-Effective Date Claims Agent shall be entitled to retain counsel and other advisors to exercise the foregoing rights and duties (the "Claims Agent Professionals"). The Claims Agent Professionals, as well as the terms of their employment, shall be reasonably satisfactory to the Post-Effective Date Claims Agent and the Reorganized Debtors. The Reorganized Debtors shall pay all reasonable and documented fees and expenses of the Claims Agent Professionals (the "Claims Agent Professionals' Fee and Expense Claims") on a monthly basis, provided, however, that the Reorganized Debtors may dispute any portion of a Claims Agent Professionals' Fee and Expense Claim (a "Disputed Claims Agent Professionals' Fee and Expense Claim"), in which case (x) the Reorganized Debtors shall pay the portion of the Claims Agent Professionals' Fee and Expense Claim that is not specifically disputed, and (y) in the absence of a consensual resolution of the Disputed Claims Agent Professionals' Fee and Expense Claim, the Reorganized Debtors or the applicable Claims Agent Professionals shall submit the Disputed Claims Agent Professionals' Fee and Expense Claim to the Bankruptcy Court for adjudication.

(d) On or before the Effective Date, the Debtors shall deposit \$750,000, or such other amount as reasonably agreed to by the Debtors and the Creditors Committee, into an account designated by and held in the name of the Post-Effective Date Claims Agent (the "Post-Effective Date Claims Agent Fund"), which amounts shall be used by the Post-Effective Date Claims Agent from and after (but not for services rendered or costs or expenses incurred before) the Effective Date to perform its duties and responsibilities set forth above (other than for the payment of the Claims Agent Professionals, who shall be paid by the Reorganized Debtors as provided in Section 4.3(c)). If, subsequent to the initial funding of the Post-Effective Date Claims Agent Fund, the Post-Effective Date Claims Agent determines that the amount then held in the Post-Effective Date Claims Agent Fund is insufficient for it to conclude the performance of its duties under this Section 4.3, it shall notify the Reorganized Debtors, and they shall meet together in good faith to determine what, if any, additional amounts should be deposited by the Reorganized Debtors into the Post-Effective Date Claims Agent

Fund. The Reorganized Debtors shall determine the amount of subsequent funding of the Post-Effective Date Claims Agent Fund.

(e) In the event that the Post-Effective Date Claims Agent resigns or otherwise terminates its service in such capacity prior to the resolution or adjudication of all Disputed Claims in the Disputed Claims Pool, the Reorganized Debtors shall designate a successor Post-Effective Date Claims Agent (which shall be vested with all of the rights and powers set forth in this Section 4.3). The Reorganized Debtors shall provide the Post-Effective Date Claims Agent (or any successor Post-Effective Date Claims Agent) with reasonable access to the Debtors' books and records and personnel during normal business hours upon reasonable prior notice, and the Reorganized Debtors shall take commercially reasonable steps to cooperate with the Post-Effective Date Claims Agent in the performance of its duties under this Section 4.3. In the event of any dispute regarding the conduct of, or exercise of the duties of, the Post-Effective Date Claims Agent or the Claims Agent Professionals, the Reorganized Debtors may submit such dispute to the Bankruptcy Court, provided, however, that the Post-Effective Date Claims Agent may only be removed for gross negligence, willful misconduct or fraud.

(f) After the Effective Date, except as provided in Sections 4.3(a) and 4.3(c) above or otherwise in the Plan, only the Post-Effective Date Claims Agent shall have the authority to file, prosecute, settle, compromise, withdraw or litigate to judgment objections to Disputed Claims in the Disputed Claims Pool, Post-Effective Date Claims Agent Avoidance Actions and Section 510 Actions. Before bringing any (i) objections to Disputed Claims in the Disputed Claims Pool; (ii) Post-Effective Date Claims Agent Avoidance Actions other than Post-Effective Date Claims Agent Avoidance Actions brought solely for purposes of section 502(d) of the Bankruptcy Code; or (iii) Section 510 Actions, in each case with respect to a party with a current contractual or supplier relationship with the Debtors, a then current employee of the Reorganized Debtors, or then current officer or director of the Company, the Post-Effective Date Claims Agent shall consult with the Reorganized Debtors (or the Reorganized Debtors' designee). Subject to Section 4.3(g), the Debtors' authority to file, prosecute, settle, compromise, withdraw or litigate to judgment objections to Disputed Class in the Disputed Claims Pool, Post-Effective Date Claims Agent Avoidance Actions or Section 510 Actions shall terminate on the Effective Date as provided herein; provided, however, that notwithstanding any other provision of this Section 4.3 to the contrary, the Debtors and Reorganized Debtors shall retain the authority to prosecute, settle, compromise and otherwise resolve all labor grievances arising under Collective Bargaining Agreements pursuant to the terms and conditions of the governing Collective Bargaining Agreement. The Post-Effective Date Claims Agent shall provide periodic updates on Claims resolutions to the Reorganized Debtors (or the Reorganized Debtors' designee). Notwithstanding the foregoing, and subject to section 4.3(j), the Post-Effective Date Claims Agent shall have full authority to bring and settle (x) any Claims in the Disputed Claims Pool, (y) any Post-Effective Date Claims Agent Avoidance Action that would result in a recovery of less than \$500,000, and (z) any Section 510 Action. Any settlements of a Post-Effective Date Claims Agent Avoidance Action that results in a recovery in excess of \$500,000 shall require approval by the Reorganized Debtors.

(g) Any previously prosecuted objections to any Disputed Claims in the Disputed Claims Pool, any Post-Effective Date Claims Agent Avoidance Actions and any Section 510 Actions that are pending as of the Effective Date shall be deemed to have been

assigned to the Post-Effective Date Claims Agent, and the Post-Effective Date Claims Agent shall have the sole and exclusive right, subject to the limitations set forth above, to continue the prosecution of such Disputed Claims in the Disputed Claims Pool, Post-Effective Date Claims Agent Avoidance Action or Section 510(c) Action, abandon such Claim objections or action, or settle or compromise such Disputed Claims or action, subject to the terms of this Section 4.3; provided, however, that notwithstanding the foregoing, the Debtors and Reorganized Debtors shall retain the Causes of Action, and right to resolve, evaluate and prosecute the objections to Disputed Claims, which the Debtors shall identify on a schedule to be provided to the Creditors Committee prior to the Effective Date, and which shall be reasonably acceptable to the Creditors Committee. Subject to further order of the Bankruptcy Court and notwithstanding anything in this Plan to the contrary, the Debtors or Reorganized Debtors, as applicable, shall retain the right to resolve, evaluate and prosecute the BCFC Contribution Claim and any objections thereto, and resolution of, or any claims and defenses of the Debtors or Reorganized Debtors relating to or arising from the BCFC Contribution Claim or the 7.95% Notes Guaranty Claims, shall not be assigned to the Post-Effective Date Claims Agent.

(h) Within thirty (30) days following the end of each February, May, August and November until all Disputed Claims in the Disputed Claims Pool have been Allowed or Disallowed and all Post-Effective Date Claims Agent Avoidance Actions and Section 510 Actions have been settled, abandoned or prosecuted to judgment and recoveries of judgments received, the Post-Effective Date Claims Agent shall provide to the Reorganized Debtors a report with such information and detail as the Reorganized Debtors shall reasonably request in order for them to make the distributions described in Article III.

(i) All amounts recovered by the Post-Effective Date Claims Agent as a result of its prosecution or settlement of any Post-Effective Date Claims Agent Avoidance Action or Section 510 Action shall be promptly paid to the Reorganized Debtors.

(j) Except as set forth herein, notwithstanding that the Post-Effective Date Claims Agent shall have the right to file objections to Disputed Claims in the Disputed Claims Pool, litigate and/or settle objections to Disputed Claims in the Disputed Claims Pool on behalf of the Debtors and their Estates, and commence, prosecute, litigate and settle any Post-Effective Date Claims Agent Avoidance Actions or Section 510 Actions, nothing contained herein shall be deemed to obligate the Post-Effective Date Claims Agent to take any such actions, all of which shall be determined by the Post-Effective Date Claims Agent in its sole and absolute discretion.

(k) The Debtors or Reorganized Debtors, as applicable, shall have the sole and exclusive right to evaluate, make, file, prosecute, settle or abandon objections to Disputed Claims in Class 6 that are not within the Disputed Claims Pool and to Disputed Claims in Classes 7 and 8. The Reorganized Debtors shall quarterly provide a report to the Post-Effective Date Claims Agent summarizing the status of such disputed claims resolution in reasonable detail.

4.4 Payments and Distributions on Disputed Claims.

(a) Disputed Claims Reserve. Unless otherwise ordered by the Bankruptcy Court, from and after the Effective Date, and until such time as all Disputed Claims have become Allowed Claims, compromised or settled, the Disbursing Agent shall reserve and hold in escrow (the “Disputed Claims Reserve”) for the benefit of each holder of a Disputed Claim, New ABH Common Stock (and any dividends thereon) in an amount equal to the Pro Rata Share of distributions which would have been made to the holder of such Disputed Claim if it were an Allowed Claim in an amount equal to, as applicable: (i) the Disputed Claim amount, unless the Claim is a Disputed Claim solely because of section 502(d) of the Bankruptcy Code, in which case the disputed and undisputed amount (if any) of the Claim shall be reserved or (ii) if the amount of the Disputed Claim shall be estimated by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code for purposes of allowance, such amount determined by the Bankruptcy Court (which amount, unless otherwise ordered by the Bankruptcy Court, shall constitute and represent the maximum amount in which such Claim may ultimately become an Allowed Claim), or (iii) such other amount as may be agreed upon by the holder of such Disputed Claim and the Debtors or the Reorganized Debtors. The Disputed Claims Reserve is intended to be treated for U.S. income tax purposes as a grantor trust of the Debtors.

(b) Distributions on Disputed Claims Upon Allowance. The Disbursing Agent shall distribute to the holder of a Disputed Claim that becomes an Allowed Claim (other than a Disputed Claim that becomes an Allowed Convenience Claim, the distribution for which is provided for in Section 3.3 of this Plan), in whole or in part, the distribution to which such holder is then entitled under the Plan for such Allowed Claim, in the Disbursing Agent’s sole discretion, (a) as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim becomes a Final Order, (b) at the next applicable Interim Distribution Date, or (c) at such other time the Disbursing Agent reasonably determines is appropriate under the circumstances, but in any event, no later than the Final Distribution Date. The balance, if any, of New ABH Common Stock previously reserved pursuant to Section 4.4(a) shall be included in future calculations of New ABH Common Stock reserved pursuant to Section 4.4(a) as Disputed Claims become Allowed as provided in this Section 4.4(b). The existence of a Disputed Claim in Class 6 shall not impair or impede the making of a distribution to Allowed Claims in such Class or any other Class. If the Allowed amount of any particular Disputed Claim is reconsidered under section 502(j) of the Bankruptcy Code and Bankruptcy Rule 3008 and/or is Allowed in an amount that is greater than the estimated amount of such Claim, or the ultimately Allowed amount of all Disputed Claims in Class 6 is greater than the estimated aggregate amount of such Claims, no claimant shall have recourse against the Reorganized Debtors (or any property thereof), any distributions made to a creditor in any other Class herein, or any distribution previously made on account of any Allowed Claim (however, nothing herein shall modify any right of a holder of a reconsidered Claim under the penultimate sentence of section 502(j) of the Bankruptcy Code).

4.5 Claims Against Cross-Border Debtors. Subject to Sections 4.3 and 6.14 hereof, the procedures set forth in the Cross-Border Claims Reconciliation Protocol shall govern the allowance of Claims against the Cross-Border Debtors.

4.6 Indenture Trustees as Claim Holders. Consistent with Bankruptcy Rule 3003(c), the Debtors and the Reorganized Debtors shall recognize the Proofs of Claim filed by an Indenture Trustee with respect to the Claims of the holders represented by such Indenture

Trustee in the amount Allowed herein. Any Proof of Claim filed by a registered or beneficial holder of Claims for which the applicable Indenture Trustee has filed a Proof of Claim shall be Disallowed by the Confirmation Order as duplicative of the Proof of Claim filed by the Indenture Trustee without need for any further action or Bankruptcy Court Order, except to the extent that any Claim, or a portion of a Proof of Claim, filed by a holder is not included within the Proof(s) of Claim filed by the applicable Indenture Trustee.

ARTICLE V

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

5.1 Assumed Executory Contracts and Unexpired Leases.

(a) Assumption and Assignment Generally. On the Effective Date, except as otherwise provided in the Plan, in any contract, instrument, release or other agreement or document entered into in connection with the Plan, in a Final Order of the Bankruptcy Court, or as requested in any motion filed on or prior to the Effective Date, pursuant to section 365 of the Bankruptcy Code the applicable Debtor or Debtors will assume, or assume and assign, each executory contract or unexpired lease listed on Plan Supplement 11A. Each contract and lease listed on Plan Supplement 11A will be assumed only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Listing a contract or lease on Plan Supplement 11A will not constitute an admission by a Debtor or a Reorganized Debtor that such contract or lease (including any modifications, amendments, supplements, restatements, or other related agreements) is an executory contract or unexpired lease or that a Debtor or Reorganized Debtor has any liability thereunder. To the extent applicable, all executory contracts or unexpired leases of the Reorganized Debtors assumed during the Chapter 11 Cases, including those assumed pursuant to Section 5.1 hereof, shall be deemed modified such that the transactions contemplated by the Plan and the CCAA Plan shall not constitute a “change of control” (or terms with similar effect) under the applicable executory contract or unexpired lease, regardless of how such term may be defined herein, and any consent or advance notice required under such executory contract or unexpired lease shall be deemed satisfied by Confirmation of the Plan.

(b) Modifications, Amendments, Supplements, Restatements, or Other Agreements. Unless otherwise provided in the Plan, each executory contract or unexpired lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such executory contract or unexpired lease, and all executory contracts and unexpired leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan. Modifications, amendments, supplements, and restatements to prepetition executory contracts and unexpired leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the executory contract or unexpired lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

(c) Customer Agreements. To the extent that (i) the Debtors are party to any contract, purchase order or similar agreement providing for the sale of the Debtors’

products or services, (ii) such agreement constitutes an executory contract, and (iii) such agreement (A) has not been previously rejected or assumed by order of the Bankruptcy Court, (B) is not subject to a motion to reject such executory contract or unexpired lease filed on or prior to the Effective Date, (C) is not listed on Plan Supplement 11A or Plan Supplement 11B, (D) has not been designated for rejection in accordance with Section 5.2(a), such contract (including any modifications, amendments, supplements, restatements or other related agreements), purchase order or similar agreement will be deemed assumed by the applicable Debtor(s) in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. The Cure amount to be paid in connection with the assumption of a customer contract that is not specifically identified in Plan Supplement 11A shall be \$0.00.

(d) Paper Retriever® and EcoRewards® Program Contracts. Any contract (including any modifications, amendments, supplements, restatements or other related agreements) of the Debtors under the Company's Paper Retriever® and EcoRewards® programs for the collection, pick-up, payment for, or other services relating to, the collection of recyclables under the Paper Retriever® and EcoRewards® programs, including the leasing or provision of bins, shall be deemed assumed by the applicable Debtor(s) in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date unless such contract (i) has been previously rejected or assumed by order of the Bankruptcy Court, (ii) is subject to a motion to reject filed on or prior to the Effective Date, (iii) is listed on Plan Supplement 11B, or (iv) has been designated for rejection in accordance with Section 5.2(a) of this Plan. The Cure amount to be paid in connection with the assumption of any and all such Paper Retriever® and EcoRewards® contracts that are not specifically identified in Plan Supplement 11A shall be \$0.00.

(e) Utility Agreements. To the extent that (i) the Debtors are party to any utility service contract or similar agreement with a utility, (ii) such agreement constitutes an executory contract, and (iii) such agreement (A) has not been previously rejected or assumed by order of the Bankruptcy Court, (B) is not subject to a motion to reject such executory contract or unexpired lease filed on or prior to the Effective Date, (C) is not listed on Plan Supplement 11A or Plan Supplement 11B, (D) has not been designated for rejection in accordance with Section 5.2(a), then such utility service contract or similar agreement with a utility (including any modifications, amendments, supplements, restatements or other related agreements) shall be deemed assumed by the applicable Debtor(s) in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. The Cure amount to be paid in connection with the assumption of a utility service contract or similar agreement with a utility that is not specifically identified in Plan Supplement 11A shall be \$0.00.

(f) Certain Governmental Agreements. To the extent that (i) the Debtors are party to any agreement, permit, certificate, license, approval, memorandum or contract, including any easements or agreements to cross land (collectively, including any product from such agreements, permits, certificates, licenses, approvals, memoranda or contracts, the "Government Agreements") issued by, signed with, or granted by a governmental unit, including a federal government, provincial or state government, or agent or agency of a federal, provincial or state government, (ii) such Government Agreement constitutes an executory contract, and (iii) such Government Agreement (A) has not been previously rejected or assumed

by order of the Bankruptcy Court, (B) is not subject to a motion to reject such executory contract or unexpired lease filed on or prior to the Effective Date, (C) is not listed on Plan Supplement 11A or Plan Supplement 11B, (D) has not been designated for rejection in accordance with Section 5.2(a), then such Government Agreement will be deemed assumed by the applicable Debtor(s) in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. The Cure amount to be paid in connection with the assumption of a Government Agreement if not specifically identified in Plan Supplement 11A shall be \$0.00.

(g) Cutting Rights Agreements. Any contract (including any modifications, amendments, supplements, restatements or other related agreements) of the Debtors for or related to cutting rights shall be deemed assumed by the applicable Debtor(s) in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date unless such contract (i) has been previously rejected or assumed by order of the Bankruptcy Court, (ii) is subject to a motion to reject filed on or prior to the Effective Date, (iii) is listed on Plan Supplement 11B, or (iv) has been designated for rejection in accordance with Section 5.2(a) of this Plan. The Cure amount to be paid in connection with the assumption of any and all such contracts that are not specifically identified in Plan Supplement 11A shall be \$0.00.

(h) Collective Bargaining Agreements. Unless otherwise requested in any motion or stipulation filed on or prior to the Effective Date, all Collective Bargaining Agreements set forth on Plan Supplement 1 shall be deemed to have been assumed by the Debtors party thereto upon the occurrence of the Effective Date, as such Collective Bargaining Agreements may have been amended from time to time, including as such Collective Bargaining Agreements have been amended by that certain Memorandum of Agreement (the "Master Agreement") by and between AbitibiBowater Inc. and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, the International Brotherhood of Electrical Workers, the International Association of Machinists, and the United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada (collectively, the "Unions") dated April 14, 2010. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the pertinent Debtor's assumption of each Collective Bargaining Agreement, as so amended, and the Master Agreement. The Cure amount to be paid in connection with the assumption of such Collective Bargaining Agreements shall be \$0.00. In addition, unless previously withdrawn, upon the Effective Date, the Unions' proofs of claim shall be deemed withdrawn as of the Effective Date without prejudice to: (1) the Debtors' and Reorganized Debtors' obligations under the Master Agreement; (2) the Unions' pursuit of grievances and arbitrations in the ordinary course; (3) the right of the Unions or the Debtors or the Reorganized Debtors to apply to the Bankruptcy Court for the resolution of any dispute over the priority, or the treatment under any plan of reorganization, to be accorded to any grievance settlement entered by the parties or remedy ordered by an arbitrator acting pursuant to the Collective Bargaining Agreement; and (4) the Unions' right to reinstate and file proofs of claim if a plan of reorganization incorporating the Master Agreement is not consummated.

(i) Payments Related to Assumption of Executory Contracts and Unexpired Leases. Except as otherwise provided herein, any monetary amounts by which each

executory contract and unexpired lease to be assumed under this Plan may be in default shall be satisfied by Cure in the amount, if any, set forth in this Section 5.1 or in Plan Supplement 11A, or, in the event of an objection to such Cure amount or if no such Cure amount is listed, in the amount agreed between the parties or as ordered by the Bankruptcy Court or another court of competent jurisdiction. If the non-Debtor party to the unexpired lease or executory contract does not object to the amount of Cures set forth in Plan Supplement 11A on or before the Voting Deadline, such non-Debtor party shall be deemed to accept such Cure amount. In the event of a dispute regarding (a) the nature or amount of any Cure, (b) the ability of the applicable Reorganized Debtor or any assignee to provide “adequate assurance of future performance” within the meaning of section 365 of the Bankruptcy Code under the contract or lease to be assumed, or (c) any other matter pertaining to assumption, such dispute shall be determined by the Bankruptcy Court, or as the parties may otherwise agree. To the extent that the Debtor who is a party to the unexpired lease or executory contract is to be merged pursuant to Sections 6.2 and 6.3 of this Plan, upon assumption as contemplated herein, the Reorganized Debtor that is the surviving entity after such merger shall be the party to the unexpired lease or executory contract.

5.2 Rejection of Executory Contracts and Unexpired Leases.

(a) Rejection Generally. On the Effective Date, except for an executory contract or unexpired lease that was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court or that is assumed pursuant to Section 5.1, each executory contract or unexpired lease entered into by a Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms shall be deemed rejected pursuant to section 365 of the Bankruptcy Code. The executory contracts or unexpired leases to be rejected pursuant to this Plan will include the executory contracts or unexpired leases listed on Plan Supplement 11B. Each executory contract and unexpired lease listed on Plan Supplement 11B shall be rejected only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Listing a contract on Plan Supplement 11B will not constitute an admission by a Debtor or Reorganized Debtor that such contract or lease is an executory contract or unexpired lease or that a Debtor or Reorganized Debtor has any liability thereunder. Regardless of whether an executory contract or unexpired lease is listed on Plan Supplement 11B, it will be deemed rejected unless such contract (a) is listed on Plan Supplement 11A, (b) was previously assumed, assumed and assigned, or rejected by order of the Bankruptcy Court, or (c) is deemed assumed pursuant to Sections 5.1(c) through 5.1(g), Section 5.4 or Section 6.10.

(b) Rejection Damages Bar Date. Unless an earlier Claims Bar Date applies, if the rejection by a Debtor of an executory contract or unexpired lease results in a Claim, then such Claim shall be forever barred and shall not be enforceable against any Debtor unless a Proof of Claim with respect to such Claim is filed with the Claims and Noticing Agent and served upon counsel to the Debtors or the Reorganized Debtors (as the case may be) within thirty (30) days after (a) filing of a notice of the occurrence of the Effective Date or (b) entry of an order authorizing the rejection of such executory contract or unexpired lease.

5.3 Limited Extension of Time to Assume or Reject. In the event of a dispute as to whether a contract or lease is executory or unexpired, the right of the Debtors or Reorganized Debtors to move to assume or reject such contract or lease shall be extended until

the date that is thirty (30) days after the entry of a Final Order by the Bankruptcy Court determining that the contract or lease is executory or unexpired. The deemed assumptions and rejections provided for in this Article V of the Plan shall not apply to such contract or lease.

5.4 Insurance Policies and Agreements. The insurance policies issued to, or insurance agreements entered into by, the Debtors prior to the Petition Date set forth on Plan Supplement 2 shall continue in effect after the Effective Date. To the extent that such insurance policies or agreements are considered to be executory contracts, then, notwithstanding anything to the contrary in the Plan, the Plan shall constitute a motion to assume or ratify such insurance policies and agreements, and, subject to the occurrence of the Effective Date, the entry of the Confirmation Order shall constitute approval of such assumption pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of each Debtor and its Estate. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments shall be required to cure any defaults of the Debtors existing as of the Confirmation Date with respect to each such insurance policy or agreement. If the Bankruptcy Court determines otherwise as to any such insurance policy or agreement, the Debtors reserve the right to seek the rejection of such insurance policy or agreement or other available relief.

To the extent that the Debtors' insurance policies and related agreements with Ace American Insurance Company, ACE INA Insurance, ACE European Group, Ltd., Ace American Fire & Marine Company and/or other affiliated members of the ACE group of companies, and/or their predecessors in interest (collectively referred to as "ACE") or Liberty Mutual Insurance Company (together with its affiliates, "Liberty", and together with ACE, the "Insurers") are executory, they will be assumed by the Debtors. Regardless of whether any insurance policies issued by the Insurers to or on behalf of the Debtors or their predecessors in interest, or any related agreements, are executory, all such insurance policies and related agreements shall vest in the Reorganized Debtors and the Reorganized Debtors will perform the insureds' obligations thereunder, and the Insurers will perform the insurers' obligations thereunder, including any obligations pertaining to insurance coverage for claims arising pre-petition or during the pendency of these Chapter 11 Cases. This Plan and the Confirmation Order (including any exhibits and supplements thereto, and any provision that purports to be peremptory or supervening contained therein), shall not operate to, or have the effect of, impairing in any respect the legal, equitable or contractual rights and defenses of the insureds or insurers with respect to any insurance policies issued by the Insurers, to or on behalf of the Debtors or their predecessors in interest, and any related agreements; provided, however, that the Debtors and the Reorganized Debtors, as applicable, shall not cease to be the insured parties with respect to any such insurance policies solely as a result of the consummation of the restructurings and assumption of executory contracts pursuant to this Plan and the CCAA Plan. The rights and obligations of the insureds and insurers under the Insurers' insurance policies and related agreements shall be determined under such policies and related agreements, including the terms, conditions, limitations, exclusions and endorsements thereof, which shall remain in full force and effect, and under any applicable non-bankruptcy law. The Insurers have reserved all of their rights and defenses under their policies and any related agreements and applicable non-bankruptcy law.

5.5 Miscellaneous.

(a) The Debtors reserve the right to file a motion on or before the Confirmation Date to assume or reject any executory contract or unexpired lease.

(b) Subject to Section 5.5(d), but notwithstanding any other provision of this Plan, each of the Debtors shall retain the right to, at any time prior to the Confirmation Hearing, modify, amend or supplement Plan Supplement 11A and Plan Supplement 11B, including the right to (i) delete any executory contract or unexpired lease listed therein, (ii) add any executory contract or unexpired lease thereto, thus providing for its assumption or assumption and assignment pursuant to Section 5.1, or its rejection pursuant to Section 5.2 as the case may be, or (iii) modify the Cure Amount.

(c) The Confirmation Order shall constitute an order of the Bankruptcy Court approving the assumption, assumption and assignment, or rejection of the executory contracts and unexpired leases as contemplated in this Article V pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date; or (b) the resolution of any objection to the proposed assumption, assumption and assignment, or rejection of an such executory contract or unexpired lease.

(d) The Debtors or Reorganized Debtors shall not assume any executory contract or unexpired lease that would result in Cure costs greater than \$1 million without the consent of the Creditors Committee, such consent not to be unreasonably withheld.

ARTICLE VI **IMPLEMENTATION OF PLAN**

6.1 Pre-Effective Date Injunction or Stays. All injunctions or stays, whether by operation of law or by order of the Bankruptcy Court, provided for in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or otherwise that are in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

6.2 Restructuring Transactions. Effective as of the Effective Date, or thereafter as necessary, the applicable Debtors and Reorganized ABH shall enter into one or more corporate reorganization and related transactions (the “Restructuring Transactions”) and take any actions as may be necessary or appropriate to simplify their corporate structure and to effect a tax efficient corporate restructuring of their respective businesses, in each case upon consultation with the Creditors Committee. The Restructuring Transactions may include one or more intercompany mergers, consolidations, amalgamations, arrangements, continuances, restructurings, conversions, dissolutions, transfers (including transfers involving the issuance of New ABH Common Stock to subsidiaries of the Debtors or the Reorganized Debtors), liquidations or other transactions as may be determined by the Debtors or Reorganized ABH to be necessary or appropriate. The Debtors shall file Plan Supplement 12 setting forth the restructuring transactions that will occur. The Debtors shall be permitted to implement certain of the Restructuring Transactions after the Effective Date, as contemplated by Plan Supplement 12. Subject to the Restructuring Transactions, each of the Debtors shall continue to exist after the Effective Date as a separate entity, with all the powers of a corporation, limited liability

company, or partnership, as the case may be, under applicable law in the jurisdiction in which each applicable Debtor is incorporated or otherwise formed and pursuant to its certificate of incorporation and bylaws or other organizational documents in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws or other organizational documents are amended and restated or reorganized by the Plan or the CCAA Plan, as applicable, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date. Certain affiliates of the Debtors are not Debtors in these Chapter 11 Cases. The continued existence, operation, and ownership of such non-Debtor affiliates is a component of the Debtors' businesses, and, as set forth in Article 8.1 of the Plan, but subject to the Restructuring Transactions, all of the Debtors' equity interests and other property interests in such non-Debtor affiliates shall revert in the applicable Reorganized Debtor or its successor on the Effective Date.

6.3 Dissolution of Certain Debtors. On or as of the Effective Date, within the sole and exclusive discretion of the Debtors, but upon consultation with the Creditors Committee, the Debtors may (a) cause any or all of the Debtors to be merged into one or more of the Debtors, dissolved, or otherwise consolidated, (b) cause the transfer of assets between or among the Debtors, or (c) engage in any other transaction in furtherance of the Plan. Any such transaction shall be effective as of the Effective Date pursuant to the Confirmation Order without any further action by the stockholders or directors of any of the Debtors or the Reorganized Debtors. The Debtors shall file Plan Supplement 3 with the Bankruptcy Court setting forth the Debtors that will be merged or dissolved.

6.4 Amended Certificates of Incorporation and Bylaws. As of the Effective Date, the current certificates of incorporation and bylaws of the Debtors and other similar formation documents as applicable, shall be amended as necessary to satisfy the provisions of this Plan and the Bankruptcy Code, including, without limitation, the prohibition against the issuance of non-voting equity securities set forth in section 1123(a)(6) of the Bankruptcy Code (collectively, the "Amended Certificates of Incorporation and Bylaws"). The forms of Amended Certificates of Incorporation and Bylaws in Plan Supplements 4A and 4B shall become effective on the Effective Date. After the Effective Date, the Amended Certificates of Incorporation and Bylaws shall be subject to such further amendments or modifications as may be made by law, or pursuant to such Amended Certificates of Incorporation and Bylaws.

6.5 No Further Approvals. The mergers, transfers of assets, dissolutions, consolidations and other transactions contemplated in this Plan shall be approved and effective as of the Effective Date without the need for any further state or local regulatory approvals or approvals by any non-Debtor parties, and without any requirement for further action by the Debtors, Reorganized Debtors, or any entity created to effectuate the provisions of the Plan.

6.6 Pre-Effective Date Management. After the Confirmation Date and until the Effective Date, the current directors and officers of each Debtor shall continue to serve in such capacities, subject to such changes as may be determined by the Board of Directors of a Debtor in accordance with the current bylaws and certificates of incorporation or other formation document of such Debtor.

6.7 Post-Effective Date Management of Reorganized Debtors.

(a) Board. As of the Effective Date, the directors and officers of each Debtor that is not a Reorganized Debtor will be terminated. A search committee (the “Search Committee”), consisting of three (3) members of the Creditors Committee, three (3) members of the Ad Hoc Unsecured Noteholders Committee, and one (1) representative of the Company shall be formed to select the Board. Among other things, the Search Committee shall be responsible for selecting the board of directors for Reorganized ABH (the “Board”), determining the number of directors (including the number of independent directors) comprising the Board, and defining the terms and other qualifications for such directors.

(b) Officers. As of the Effective Date, the initial officers of Reorganized ABH shall be the persons identified in Plan Supplement 5A. The term of any current officer of AbitibiBowater not identified as an officer of Reorganized ABH shall expire on the Effective Date.

(c) Unless otherwise provided in Plan Supplement 5B, the directors and officers of each of the Debtors other than AbitibiBowater shall continue to serve in such capacities with respect to the Reorganized Debtors after the Effective Date.

(d) The Debtors shall file Plan Supplement 5B with the Bankruptcy Court on or before the Supplement Filing Date setting forth the names, affiliations and offices of, and the compensation proposed to be paid to, the individuals intended to serve as directors and officers of each Reorganized Debtor on and after the Effective Date. On and after the Effective Date, each Reorganized Debtor shall be governed in accordance with the Amended Certificates of Incorporation and Bylaws or similar formation document.

6.8 Management and Director Compensation and Incentive Plans and Programs. On or as soon as practicable after the Effective Date, Reorganized ABH shall adopt and implement (as applicable) the management incentive plans substantially in the form set forth in Plan Supplement 6A to be filed on or before the Supplement Filing Date and described herein, and the management and director plans, programs and agreements set forth in Plan Supplement 6B, to be filed on or before the Supplement Filing Date, shall be terminated, and to the extent applicable, deemed rejected pursuant to Section 365 of the Bankruptcy Code.

(a) Long-Term Equity Incentive Plan. On or as soon as practicable after the Effective Date, the Reorganized Debtors will adopt and implement the 2010 Long-Term Equity Incentive Plan (the “LTIP”). The Debtors and Reorganized Debtors shall reserve 8.5% on a fully diluted basis of the New ABH Common Stock for issuance under the LTIP. Up to 4% of the New ABH Common Stock may be granted on the Effective Date of which 75% will be granted as options the strike price of which will be the fair market value of the New ABH Common Stock, and 25% will be granted as restricted stock units. For purposes of this section 6.8(a) of the Plan, the fair market value of the New ABH Common Stock means the average of the closing trading price of the New ABH Common Stock during the thirty (30) day period commencing with the first day on which the New ABH Common Stock is listed on the New York Stock Exchange. Pursuant to the LTIP, the Reorganized Debtors shall deliver certain stock options and restricted stock unit grants to certain directors, members of management and other executive employees on and after the Effective Date, in such amounts and pursuant to such terms as set forth in the LTIP. The form and substance of the LTIP will be set forth in Plan

Supplement 6A, to be filed on or before the Supplement Filing Date, and shall be reasonably acceptable to the Creditors Committee.

(b) Short-Term Incentive Plans. On or as soon as practicable after the Effective Date, the Reorganized Debtors will adopt and implement the 2010 Short-Term Incentive Plan (the “2010 STIP”) and the 2011 Short-Term Incentive Plan (the “2011 STIP” and together with the 2010 STIP, the “STIPs”) pursuant to which participants shall be eligible for a target incentive award expressed as a percentage of the individual’s base salary as such salary shall be reduced prior to the Effective Date (the “Reduced Base Salary”). Approximately 550 management employees will be eligible for participation in the STIPs, including the Company’s top six senior executives. Senior executives will be eligible for a target incentive award of 50% base salary under the 2010 STIP and 100% of base salary under the 2011 STIP. The target incentive payments for remaining participants under the STIPs will be at a lower percentage level of payment. The STIPs shall be entirely performance-based, and actual earned incentive awards will vary depending on the Company’s and Reorganized Debtors’ ability to achieve the established targets. Under the 2010 STIP, the Company will base performance targets on the Company’s actual EBITDA (net of any STIP payment) against its forecast for the third and fourth quarters of 2010, and targets will be determined in consultation with the Creditors Committee. The Board will determine the Company’s performance targets under the 2011 STIP. The material terms of the STIPs will be set forth in Plan Supplement 6A, to be filed on or before the Supplement Filing Date, and shall be reasonably acceptable to the Creditors Committee.

(c) Restructuring Recognition Award. On and effective as of the Effective Date, the Company will adopt and implement a performance driven restructuring recognition plan designed to reward actions and initiatives contributing to a successful and timely reorganization of the Company, by providing selected members of management with one-time cash emergence awards (a “Restructuring Recognition Award”) in an aggregate value of approximately \$6 million. Approximately 50 executives, senior managers and managers, who are critical to the Company’s performance and successful reorganization efforts, will be selected to receive a Restructuring Recognition Award equal from 30% to 100% of the recipient’s Reduced Base Salary to be paid in cash at emergence upon approval by the Board. Restructuring Recognition Award recipients will be required to repay 1/12th of their award for each month during the one-year period following the Effective Date they were not employed by Reorganized ABH or a Reorganized Debtor, if they either voluntarily resign their employment or are discharged by their employer for “cause.”

(d) Executive Severance Policies. On and after the Effective Date, Reorganized ABH will assume, as amended, executive severance policies for U.S. and Canadian executives, respectively. Severance benefits may be conditioned upon the executive’s compliance with certain restrictive covenants, including non-compete restrictions. The material terms of the executive severance policies shall be set forth in Plan Supplement 6A to be filed on or before the Supplement Filing Date, and shall be reasonably acceptable to the Creditors Committee.

6.9 Employee Compensation and Benefit Programs. As of the Effective Date, all of the Debtors’ existing pension plans, welfare benefit plans, severance policies and other employee-related plans and programs, including the Debtors’ existing U.S. qualified defined

contribution plans and Canadian registered defined benefit and defined contribution plans, set forth in Plan Supplement 7A, shall remain in effect, as amended, and the plans and programs set forth in Plan Supplement 7B, including all of the Debtors' existing non-qualified and non-registered plans (such terminated non-qualified and non-registered plans and programs referred to herein as the "Terminated Retirement Plans") and all such terminated or rejected plans and programs collectively referred to herein as the "Terminated Employee Plans") shall be terminated and, to the extent applicable, deemed rejected pursuant to section 365 of the Bankruptcy Code. After the Effective Date, the Reorganized Debtors shall have the sole authority to terminate, amend or implement U.S. qualified defined contribution plans and Canadian registered plans, welfare benefit plans and other plans and programs for employees in accordance with the terms of such plans and applicable law. The form and substance of the employee compensation and benefit programs assumed by the Debtors set forth in Plan Supplement 7A shall be reasonably acceptable to the Creditors Committee.

Effective as of the Effective Date, the Debtors and Reorganized Debtors shall establish non-qualified and non-registered plans, agreements or arrangements (the "New Plans") pursuant to which, among other things, (a) all employees and beneficiaries in active status as of the Effective Date who were entitled to benefits under any Terminated Retirement Plans as of the Effective Date (the "Eligible Employees") will be eligible to receive benefits under the New Plans substantially similar to those benefits available to such employee under the Terminated Retirement Plans, to the extent thereof, provided, however, that: (i) all defined benefits available under the New Plans will be frozen as of the Effective Date; and (ii) the Eligible Employee must waive and forfeit any and all Claims the Eligible Employee has or may have in the CCAA Proceedings and the Chapter 11 Cases in respect of the Terminated Retirement Plans; and (b) all retirees, beneficiaries and deferred vested participants, as of the Effective Date, under the Terminated Retirement Plans (the "Eligible Retirees") will be eligible to receive benefits after the Effective Date substantially similar to those benefits available to such Eligible Retiree under the Terminated Retirement Plans to the extent thereof, without retroactive adjustments; provided, however, (i) that the benefits available to each such Eligible Retiree under the New Plans shall be 10% to 35% lower, depending on the applicable Terminated Retirement Plan, than the benefits available to the Eligible Retiree under the Terminated Retirement Plans at the time of termination thereof, (ii) the benefits available to each such Eligible Retiree under the New Plans shall be subject to an annual per participant cap on benefits in the amounts ranging from \$40,000 to \$50,000 (in the aggregate) in the case of defined benefit Terminated Retirement Plans and corresponding caps in the case of defined contribution Terminated Retirement Plans, depending on the applicable Terminated Retirement Plans, this annual cap being further reduced by any secured pension benefits received or to be received in respect of the Terminated Retirement Plans; and (iii) that the Eligible Retiree must waive and forfeit any and all claim such Eligible Retiree has or may have in the CCAA Proceedings and the Chapter 11 Cases in respect of the Terminated Retirement Plans. The material terms of the New Plans shall be set forth in Plan Supplement 7A and shall be reasonably acceptable to the Creditors Committee.

The Debtors' or Reorganized Debtors' performance of any employment agreement, plan or policy that is not a Terminated Employee Plan will not entitle any person to any benefit or alleged entitlement under any policy, program, or plan that has expired or been terminated before the Effective Date, or restore, reinstate, or revive any such benefit or alleged entitlement under any such policy, program or plan. Nothing in the Plan shall limit, diminish, or

otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action, or other rights with respect to any such contracts, agreements, policies, programs, and plans. Notwithstanding anything to the contrary contained herein, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

6.10 U.S. Pension Plans. Upon the occurrence of the Effective Date, Bowater Inc., and Abitibi-Consolidated Sales Corporation (collectively, the "U.S. Plan Sponsors") and as reorganized under the Plan, the "Reorganized U.S. Plan Sponsors") shall continue the U.S. Pension Plans, including meeting the minimum funding standards under ERISA and the Internal Revenue Code, paying all PBGC insurance premiums, and administering and operating the U.S. Pension Plans in accordance with their terms and ERISA. Nothing in the Plan or in this Order shall be deemed to discharge, release, or relieve the Debtors, the Reorganized Debtors, any member of the Debtors' controlled groups (as defined in 29 U.S.C. § 1301(a)(14)) or any other party, in any capacity, from any current or future liability with respect to the U.S. Pension Plans, and PBGC and the U.S. Pension Plans shall not be enjoined or precluded from enforcing such liability as a result of the Plan's provisions or confirmation of the Plan. Upon the Effective Date, PBGC shall be deemed to have withdrawn any and all proofs of claim filed against the Debtors with prejudice. After the Effective Date, the Reorganized U.S. Plan Sponsors shall have the authority to terminate, amend or freeze the U.S. Pension Plans in accordance with the terms of the U.S. Pension Plans, ERISA and the Internal Revenue Code.

6.11 Exit Financing Facilities. On the Effective Date, the Reorganized Debtors will enter into definitive documentation, in a form and in substance satisfactory to the Debtors and reasonably acceptable to the Creditors Committee, with respect to the Exit Financing Facilities in an aggregate amount up to \$2.3 billion, less cash on hand and proceeds from the Rights Offering. On or about the Effective Date, the Debtors shall borrow funds under the Exit Financing Facilities in amounts which, together with such other cash as is then available to the Debtors, will be sufficient to make all Cash distributions to be made under this Plan and the CCAA Plan.

6.12 Rights Offering. In accordance with the terms of the Backstop Commitment Agreement, the Debtors may implement a rights offering (the "Rights Offering") for the issuance of convertible unsecured subordinated notes of the Reorganized Debtors (the "Rights Offering Notes") on the terms set out in the Backstop Commitment Agreement. As of the Effective Date, the Rights Offering Notes will be in an aggregate principal amount not to exceed \$500 million, provided that the amount of the Rights Offering Notes may be increased or decreased by the Debtors in accordance with the terms of the Backstop Commitment Agreement. In accordance with the Backstop Commitment Agreement, and because Rights Offering Notes may only be distributed on account of Claims that are Allowed as of the Effective Date, certain Rights Offering Notes may be held in escrow after the Effective Date and will only become distributable upon the Allowance of the underlying Claims on account of which the exercised Subscription Rights were allocated. The Rights Offering Notes will be issued pursuant to an indenture (as may be amended, supplemented or modified consistent with the terms of the Backstop Commitment Agreement, the "Rights Offering Notes Indenture"), which shall be in form and substance reasonably satisfactory to the Creditors Committee, along with a registration rights agreement (as may be amended, supplemented or modified consistent with the terms of the

Backstop Commitment Agreement, the “Rights Offering Notes Registration Rights Agreement”) both of which will be filed, in substantially final form, on or before the Effective Date. The number of Rights Offering Notes for which any Eligible Holder may subscribe in the Rights Offering may be decreased by the Debtors and the Reorganized Debtors to the extent required, after consultation with the Creditors Committee or as required by the Bankruptcy Court, to allow the Rights Offering to be exempt from registration under the Securities Act pursuant to Section 1145 of the Bankruptcy Code (the “Section 1145 Cutback”). The Debtors shall be authorized, upon consultation with the Creditors Committee, to implement procedures, and amend, supplement, modify or enter into agreements and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Rights Offering, and effectuate the distribution of the Rights Offering Notes (or other securities), without any further order of the Bankruptcy Court.

The Eligible Holders whose Eligible Claims are being held through DTC or CDS will receive the Rights Offering Notes in the form of beneficial interests in one or more global notes, and Eligible Holders whose Eligible Claims are not being held through DTC or CDS will receive the Rights Offering Notes in the form of one or more certificated notes. Any Rights Offering Notes excluded from the Rights Offering due to a Section 1145 Cutback will be purchased by the Backstop Parties on or before the Effective Date as Unsubscribed Notes. The issuance of Unsubscribed Notes to the Backstop Parties is intended to be exempt from Securities Act registration under Section 4(2) of the Securities Act and exempt from any prospectus requirement under Canadian securities laws. The Unsubscribed Notes are intended to be eligible for resale under Rule 144A under the Securities Act. After consummation of the Rights Offering, the Unsubscribed Notes may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act or any applicable state laws or pursuant to a registration statement.

6.13 Issuance of New ABH Common Stock.

(a) New ABH Common Stock. On the Effective Date, Reorganized ABH shall authorize and issue New ABH Common Stock for distribution in accordance with this Plan and the CCAA Plan, subject to Dilution; provided, however, that as set forth in Section 6.8 of this Plan, Reorganized ABH shall reserve shares representing 8.5% on a fully diluted basis of the New ABH Common Stock for issuance pursuant to management and director incentive programs.

(b) Section 1145 Exemption. The New ABH Common Stock distributed in accordance with Section 6.13(a) and the Rights Offering Notes and the issuance of the New ABH Common Stock upon the conversion of such Rights Offering Notes and the distribution, transfer or exchange thereof in accordance with this Plan and the CCAA Plan shall be exempt from registration under applicable securities laws (including without limitation, Section 5 of the Securities Act or any similar state or local law requiring the registration for offer or sale of a security or registration or licensing of an issuer of a security) pursuant to section 1145(a) of the Bankruptcy Code, and may be sold without registration to the extent permitted under section 1145 of the Bankruptcy Code.

(c) Listing on Exchange. The Reorganized Debtors shall use their reasonable best efforts to cause the New ABH Common Stock to be listed on the New York Stock Exchange, the NASDAQ Global Market or NASDAQ Global Select Market and the Toronto Stock Exchange.

6.14 Dissolution of Committee. Subject to Section 4.3, on and as of the Effective Date, the Creditors Committee shall be dissolved, and its members shall be released and discharged of and from all further authority, duties, responsibilities, and obligations related to and arising from and in connection with the Chapter 11 Cases.

6.15 Effectuating Documents; Further Transactions. The Chief Executive Officer, President, Chief Financial Officer or Chief Legal Officer of Reorganized ABH or any Debtor shall be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of this Plan, without any further order of the Bankruptcy Court and without the requirement of any further action by any stockholder or director of any of the Debtors or Reorganized Debtors. The Secretary or any Assistant Secretary of each Debtor or Reorganized Debtor shall be authorized to certify or attest to any of the foregoing actions.

6.16 Surrender of Existing Securities. As soon as practicable after the Effective Date, each holder of an Unsecured Note Claim (other than holders of 13.75% Senior Secured Note Guaranty Claims) shall surrender its note(s) to the relevant Indenture Trustee or agent, or in the event such note(s) are held in the name of, or by a nominee of, the DTC or CDS, the Reorganized Debtors shall seek the cooperation of the DTC or CDS to provide appropriate instructions to the Indenture Trustees or agent. No distributions under the Plan shall be made for or on behalf of such holder unless and until such note(s) is received by the Indenture Trustees or agent, or the loss, theft or destruction of such note(s) is established to the reasonable satisfaction of the applicable Indenture Trustee or agent, which satisfaction may require such holder to submit (a) a lost instrument affidavit and (b) an indemnity bond holding the Debtors, the Reorganized Debtors, and the Indenture Trustees, harmless in respect of such note and distributions made thereof. Upon compliance with this Section 6.16 by a holder of any Unsecured Note Claim, such holder shall, for all purposes under the Plan, be deemed to have surrendered such Unsecured Note Claim. Any holder that fails to surrender such Unsecured Note or satisfactorily explain its non-availability to the applicable Indenture Trustee or agent within one (1) year of the Effective Date shall be deemed to have no further Claim against the Debtors, the Reorganized Debtors (or their property), or the Indenture Trustees in respect of such Claim and shall not participate in any distribution under the Plan. All property in respect of such forfeited distributions, including interest thereon, shall be promptly returned to the Reorganized Debtors by the applicable Indenture Trustee or agent, and any such security shall be cancelled. Notwithstanding the foregoing, if the record holder of an Unsecured Note Claim is DTC, CDS, or a nominee of DTC or CDS, or such other securities depository or custodian thereof, or if an Unsecured Note Claim is held in book-entry or electronic form pursuant to a global security held by DTC, CDS or such other securities depository or custodian thereof, then the beneficial holder of such an Allowed Unsecured Note Claim shall be deemed to have surrendered such holder's security, note, debenture or other evidence of indebtedness upon surrender of such global

security by DTC, CDS or such other securities depository or custodian thereof. This Section 6.16 shall not apply to the 13.75% Senior Secured Note Guaranty Claims.

6.17 Allowed Intercompany Claims and Allowed Intercompany Interests. Each Debtor that holds an Allowed Intercompany Claim shall be entitled to account for such Allowed Intercompany Claim in its books and records as an asset of such Debtor and shall be deemed to have received distributions on account of such Allowed Intercompany Claim. Prior to effectiveness of the discharge of Allowed Intercompany Claims and Allowed Intercompany Interests pursuant to Section 2.15 of this Plan, the Debtors and Reorganized ABH, as the case may be, shall have the right to retain for the benefit of Reorganized ABH such Allowed Intercompany Claims and Allowed Intercompany Interests, or effect such transfers and setoffs with respect to, Allowed Intercompany Claims and Allowed Intercompany Interests as they may deem appropriate for accounting, tax and commercial business purposes, to the fullest extent permitted by applicable law.

ARTICLE VII

CONDITIONS PRECEDENT

7.1 Conditions to Confirmation. The following are conditions precedent to Confirmation of this Plan that may be satisfied or waived in accordance with Section 7.3 of this Plan:

(a) The Bankruptcy Court shall have approved by Final Order a Disclosure Statement with respect to this Plan in form and substance reasonably acceptable to the Debtors, the Creditors Committee, and the Monitor; and

(b) The Debtors shall have entered into a backstop agreement and Rights Offering, if necessary, and commitment agreements for the Exit Financing Facilities, in form and substance reasonably acceptable to the Debtors, the Creditors Committee and the Monitor, and all fees and expenses related thereto shall have been approved by the Bankruptcy Court.

7.2 Conditions to the Effective Date. The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Section 7.3 of this Plan.

(a) The Confirmation Order in form and substance reasonably acceptable to the Debtors, the Creditors Committee and the Monitor shall have been entered by the Bankruptcy Court;

(b) The Confirmation Order shall be a Final Order, the Confirmation Date shall have occurred, and no request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending;

(c) The Sanction Order in form and substance reasonably acceptable to the Debtors and the Creditors Committee shall have been entered by the Canadian Court;

(d) The operation and effect of the Sanction Order shall not have been stayed, reversed or amended;

(e) The Reorganized Debtors shall have entered into the Exit Financing Facilities, all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof and, simultaneous with the Effective Date, the Exit Financing Facilities shall be in full force and effect;

(f) The Reorganized Debtors shall have entered into a backstop agreement and the Rights Offering documents, if necessary, and all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof and, simultaneous with the Effective Date, the backstop agreement and the Rights Offering documents shall be in full force and effect;

(g) The Exhibits, Supplements, schedules, documents, or agreements to be executed in connection with this Plan shall be in form and substance reasonably acceptable to the Debtors, and such documents (other than ministerial documents executed in connection with this Plan) are reasonably acceptable to the Creditors Committee and the Monitor;

(h) All statutory fees then due and payable to the United States Trustee shall have been paid in full; and

(i) all conditions precedent to the implementation of the CCAA Plan but for the implementation of the Plan shall have been satisfied or waived.

7.3 Waiver of Conditions. The Debtors may waive any or all of the conditions set forth in Sections 7.1 and 7.2 of this Plan (except for the conditions set forth in Section 7.1(a), 7.2(a) or 7.2(c)) at any time; provided, however, that other than for the waiver of technical or immaterial conditions, the Debtors may not waive any condition without the prior consent of the Creditors Committee, such consent not to be unreasonably withheld. Any such waiver may be effected at any time by filing a notice thereof with the Bankruptcy Court. No waiver or non-waiver of any conditions to Confirmation or to the occurrence of the Effective Date shall diminish the application of the mootness doctrine with respect to the Confirmation of this Plan or any order entered in connection therewith, which doctrine shall apply to the fullest extent of applicable law.

7.4 Notice of Effective Date. The Debtors shall file with the Bankruptcy Court a notice of the occurrence of the Effective Date within a reasonable period of time after the conditions in Section 7.2 of the Plan have been satisfied or waived pursuant to Section 7.3 of the Plan.

7.5 Order Denying Confirmation. If an Order denying confirmation of the Plan is entered by the Bankruptcy Court and such Plan is not consummated, then nothing contained in the Plan shall (a) constitute a waiver or release of any Claims against or Interests in the Debtors, (b) prejudice in any manner the rights of the Holder of any Claim against, or Interest in, the Debtors, (c) prejudice in any manner any right, remedy or Claim of the Debtors, (d) be deemed an admission against interest by the Debtors, or (e) constitute a settlement, implicit or otherwise, of any kind whatsoever.

ARTICLE VIII
EFFECT OF THIS PLAN ON ASSETS, CLAIMS AND INTERESTS

8.1 Revesting of Assets. Except as provided in this Plan, on the Effective Date, all property of the Estates, to the fullest extent provided by section 541 of the Bankruptcy Code, and any and all other rights and assets of the Debtors of every kind and nature shall revest in the Reorganized Debtors free and clear of all Liens, Claims and Interests other than (a) those Liens, Claims and Interests retained or created pursuant to this Plan or any document entered into in connection with the transactions described in this Plan and (b) Liens that have arisen subsequent to the Petition Date on account of taxes that arose subsequent to the Petition Date.

8.2 Discharge of Claims and Termination of Interests.

(a) As of the Effective Date, except as otherwise provided in this Plan or the Confirmation Order and with respect to the Secured Funded Debt Claims, only upon payment of the Secured Funded Debt Claims in full as provided in this Plan, the rights afforded under this Plan and the treatment of Claims and Interests under this Plan shall be in exchange for and in complete satisfaction, discharge and release of all Claims and satisfaction or termination of all Interests, including any Claims arising under the Secured Funded Debt Agreements, the DIP Facility Documents, the DIP Facility Order, the Securitization Facility and the Securitization Order; provided, however, that Claims for indemnification under the Secured Funded Debt Agreements shall survive consummation of the Plan and shall not be discharged or released. Except as otherwise provided in this Plan or the Confirmation Order, Confirmation shall, as of the Effective Date: (i) discharge the Debtors from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (w) a Proof of Claim is filed or deemed filed pursuant to section 501 of the Bankruptcy Code, (x) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code (y) the holder of a Claim based on such debt has accepted this Plan or (z) such Claim is listed in the Schedules; and (ii) satisfy, terminate or cancel all Interests and other rights of equity security holders in the Debtors.

(b) As of the Effective Date, except as otherwise provided in this Plan or the Confirmation Order and with respect to the Secured Funded Debt Claims, only upon payment of the Secured Funded Debt Claims in full as provided in this Plan, all Persons shall be precluded from asserting against the Debtors or the Reorganized Debtors, or their respective successors or property, any other or further Claims, demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date; provided, however, that Claims for indemnification under the Secured Funded Debt Agreements shall not be precluded, discharged or released. In accordance with the foregoing, except as provided in this Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of discharge of all such Claims and other debts and liabilities against the Debtors and satisfaction, termination or cancellation of all Interests and other rights of equity security holders in the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge will void

any judgment obtained against the Debtors or the Reorganized Debtors at any time, to the extent that such judgment relates to a discharged Claim.

8.3 **Cancellation of Liens.** Except as otherwise provided in the Plan, on the Effective Date, and with respect to the Secured Funded Debt Claims, only upon payment of the Secured Funded Debt Claims in full as provided in this Plan, (a) all Liens, Administrative Claims and rights related to any Claim or Interest, including, without limitation, those existing under the Secured Funded Debt Agreements, the DIP Facility Documents, the DIP Facility Order, the Securitization Facility and the Securitization Order shall be deemed released, terminated, null and void and of no effect, and (b) any Lien securing any Other Secured Claim (other than a Lien securing an Other Secured Claim that is Reinstated pursuant to the Plan) shall be deemed released, terminated, null and void and of no effect; provided, however, that Claims for indemnification under the Secured Funded Debt Agreements shall survive consummation of the Plan, shall remain in full force and effect as unsecured Claims and shall not be released or terminated. The holder of Claims (other than a holder of any Other Secured Claim that is Reinstated pursuant to the Plan) shall be authorized and directed to release any collateral or other property of any Debtor (including any cash collateral) held by such holder and to take such actions as may be requested by the Debtors (or the Reorganized Debtors, as the case may be) to evidence the release of such Lien, including the execution, delivery, and filing or recording of such release documents as may be reasonably requested by the Debtors (or the Reorganized Debtors, as the case may be) and the Debtors (or the Reorganized Debtors, as the case may be) are hereby authorized to take any actions on or after the Effective Date as required to effectuate the release of collateral or other property of any Debtor or any subsidiary of a Debtor (including, without limitation, filing of appropriate termination statements and directing third-parties holding collateral or other property of any Debtor to promptly remit such collateral or property without further consent of any other party).

8.4 Injunctions.

(a) Except as otherwise provided in this Plan or the Confirmation Order, as of the Effective Date, all Persons that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is terminated pursuant to the terms of this Plan are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts or liabilities or terminated Interests or rights: (i) commencing or continuing in any manner any action or other proceeding against the Debtors or the Reorganized Debtors or their respective property; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors or the Reorganized Debtors or their respective property; (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtors or the Reorganized Debtors or their respective property; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors or the Reorganized Debtors or their respective property; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of this Plan.

(b) Except as otherwise provided in this Plan or the Confirmation Order, as of the Effective Date, all Persons that have held, currently hold or may hold a Claim, demand, debt, right, cause of action or liability that is released pursuant to this Plan are permanently enjoined from taking any of the following actions on account of such released Claims, demands, debts, rights, causes of action or liabilities: (i) commencing or continuing in any manner any action or other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien or encumbrance; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released Person; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of this Plan.

(c) In exchange for the distributions pursuant to this Plan, each holder of an Allowed Claim receiving such distribution pursuant to this Plan will be deemed to have specifically consented to the injunctions set forth in this Section 8.4.

8.5 Releases.

(a) Mutual Releases. On the Effective Date, (i) the Debtors and the Reorganized Debtors, on behalf of themselves and their Estates, any Person seeking to exercise any rights of the Debtors, the Reorganized Debtors or their Estates, including any successor to the Debtors or the Reorganized Debtors or any estate representative appointed or selected pursuant to section 1123 of the Bankruptcy Code and all of their respective officers, directors and employees, and all of their respective partners, advisors, attorneys, financial advisors, accountants and other professionals (collectively, the “Debtor Releasing Parties”), (ii) the members of, and counsel and financial advisors to, the Creditors Committee, (iii) the members of, and counsel and financial advisors to, the Ad Hoc Unsecured Noteholders Committee, as well as Avenue Capital Management II, L.P. and its managed funds, in their individual capacities, (iv) the DIP Agent and the DIP Lenders,

each in their capacities as such, and their respective legal counsel and financial advisors, (v) Citibank, N.A., Barclays Bank PLC and Barclays Capital Inc., in their respective capacities under the Securitization Facility, (vi) the Indenture Trustees, each in their capacities as such, and their respective current officers and directors, and their respective legal counsel and financial advisors (collectively, the “Indenture Trustee Parties”), (vii) the Monitor in its capacity as such, its current officers and directors, and its legal counsel and financial advisors, (viii) the Secured Funded Debt Administrative Agents and Secured Funded Debt Lenders, each in their capacity as such, and their counsel and financial advisors, and (ix) the Backstop Parties, each in their capacities as such, and their respective legal counsel and financial advisors (collectively clauses (i) through (ix) being the “Released Parties,” and each a “Released Party”), shall be deemed to and shall unconditionally and irrevocably release each other from any and all claims, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken in their respective capacities described above or any omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 15 Debtors, the CCAA Debtors, the Chapter 11 Cases, the Chapter 15 Cases, the CCAA Proceedings, the Rights Offering, the Plan, and the CCAA Plan, except that (i) no individual shall be released from any act or omission that constitutes gross negligence or willful misconduct, (ii) the Reorganized Debtors shall not relinquish or waive the right to assert any of the foregoing as a legal or equitable defense or right of setoff or recoupment against any Claims of any such Persons asserted against the Debtors or the Reorganized Debtors, (iii) the foregoing release shall not apply to any express contractual or financial obligations owed to the Debtors or Reorganized Debtors or any obligation arising under the Plan or an agreement entered into pursuant to, or contemplated by, the Plan; (iv) the foregoing release shall not apply to any Claims for indemnification under the Secured Funded Debt Agreements; (v) the foregoing releases shall not apply to any Employee Transferee Actions; and (vi) the Debtor Releasing Parties shall not release any Indenture Trustee (and any related Indenture Trustee Party) that serves as Indenture Trustee for any Unsecured Notes issued by a Debtor for which this Plan is not confirmed in these Chapter 11 Cases, and to the same extent, such Indenture Trustee (and any such related Indenture Trustee Party) shall not release any Debtor Releasing Party.

(b) Releases By Non-Debtors. On and as of the Effective Date, all Persons who (a) directly or indirectly have held, hold, or may hold Claims or Interests, (b) vote to accept the Plan as set forth on the relevant Ballot, and (c) do not mark their Ballot to indicate their refusal to grant the releases described in the Plan, shall be deemed, by virtue of their receipt of distributions and/or other treatment contemplated under the Plan, to have absolutely, unconditionally, irrevocably, and forever released and covenanted with the Reorganized Debtors and the other Released Parties not to (y) sue or otherwise seek recovery from any of the Reorganized Debtors or any other Released Party on account of any Claim or Interest, including but not limited to any Claim based upon tort, breach of contract, violations of federal or state securities laws or otherwise, based upon any act, occurrence, or failure to act from the beginning of time through the Effective Date in any way relating to the Debtors or their business and affairs or (z) assert against any of the Reorganized Debtors or any other Released Party any claim, obligation, right, Cause of

Action or liability that any holder of a Claim or Equity Interest may be entitled to assert, whether known or unknown, foreseen or unforeseen, existing or thereafter arising, based in whole or in part on any act or omission, transaction, or occurrence from the beginning of time through the Effective Date in any way relating to the Debtors, the CCAA Debtors, the Chapter 15 Debtors, the Chapter 11 Cases, the Chapter 15 Cases, the CCAA Proceedings, the Rights Offering, the Plan or the CCAA Plan; provided, however, that (i) none of the Released Parties shall be released from any claim based on any act or omission that constitutes gross negligence or willful misconduct, (ii) such release shall not apply to Ordinary Course Administrative Claims and Fee Claims or obligations arising under the Plan, (iii) such release shall not be construed to prohibit a party in interest from seeking to enforce the terms of the Plan, and (iv) the forgoing release shall not apply to any Claims for indemnification under the Secured Funded Debt Arrangements.

8.6 Exculpation and Limitation of Liability. Except for Claims for indemnification under the Secured Funded Debt Agreements, the Debtors, the Reorganized Debtors and the other Released Parties (a) shall have no liability whatsoever to one another or any holder or purported holder of a Claim or Equity Interest, or any other party-in-interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, or any of their successors or assigns, for any act or omission in connection with, or arising out of, the Plan, the Disclosure Statement, the settlement of Claims or renegotiation of executory contracts and leases, the negotiation of the Plan, the negotiation of the Plan Supplement Documents, the Exit Facility Documents, the Rights Offering, the Rights Offering Documents, the pursuit of approval of the Disclosure Statement or the Plan, or the solicitation of votes for confirmation of the Plan, the Chapter 11 Cases, the Chapter 15 Cases, the consummation of the Plan or the CCAA Plan, the administration of the Plan or the property to be distributed under the Plan, or any transaction contemplated by the Plan or Disclosure Statement, or in furtherance thereof, or any obligations that they have under or in connection with the Plan or the transactions contemplated by this Plan (collectively, the “Exculpated Claims”), except for any act or omission that constitutes willful misconduct or gross negligence as determined by a Final Order, and (b) in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. No holder of any Claim or Interest, or other party-in-interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, and no successors or assigns of the foregoing, shall have any right of action against the Released Parties with respect to the Exculpated Claims. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations and any other applicable law or rules protecting such Released Parties from liability.

8.7 Retention and Enforcement and Release of Causes of Action. Subject to Section 4.3, except as otherwise provided in the Plan, the Confirmation Order, or in any document, instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Debtors and their Estates shall retain the Causes of Action including, without limitation, the Causes of Action identified on Plan Supplement 10 (the “Retained Causes of Action”). Subject to Section 4.3, the Reorganized Debtors, as the successors in interest to the Debtors and their Estates, may enforce, sue on, settle or compromise (or decline to do any of the foregoing) any or all of the Litigation Claims. The

Debtors or the Reorganized Debtors expressly reserve all rights to prosecute any and all Litigation Claims against any Person, except as otherwise expressly provided in the Plan, and no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Litigation Claims upon, after, or as a consequence of Confirmation or the occurrence of the Effective Date.

8.8 13.75% Senior Secured Note Claims. Notwithstanding anything to the contrary in this Plan or in the Confirmation Order, other than with respect to the 13.75% Senior Secured Notes Guaranty Claims which shall be discharged in full as provided in Section 8.2 of this Plan, neither this Plan nor the Confirmation Order shall discharge or otherwise affect, limit or impair the obligations of any CCAA Debtors relating to the 13.75% Senior Secured Notes or 13.75% Senior Secured Notes Indenture, nor shall it affect, limit or impair any rights of the 13.75% Senior Secured Notes Indenture Trustee or the holders of 13.75% Senior Secured Notes with respect to any liens, interests or other rights they may have with respect to any property of any CCAA Debtor.

ARTICLE IX

CERTAIN CROSS-BORDER PROVISIONS

9.1 No Double Recovery on Allowed Cross-Border Claims. To the extent that the same Claim is an Allowed Claim against a Cross-Border Debtor under this Plan and a Proven Claim against the same Cross-Border Debtor under the CCAA Plan (such claim, a “Cross-Border Claim”), (a) there shall only be a single recovery on account of such Allowed Cross-Border Claim, and (b) the aggregate distribution which such Allowed Cross-Border Claim shall receive, whether under this Plan, the CCAA Plan or a combination of both, shall not exceed the greatest distribution which such Allowed Cross-Border Claim would be entitled to receive as an Allowed Claim under this Plan or a Proven Claim or Proven Secured Claim under the CCAA Plan.

9.2 Prohibition Against Double Recoveries. Subject to Section 8.8 of this Plan, the aggregate recovery under this Plan and the CCAA Plan on account of a claim for which more than one Debtor or Canadian Debtor is also liable, whether on account of a theory of primary or secondary liability, by reason of a guarantee agreement, indemnity agreement, joint and several liability or otherwise, shall not exceed 100% of the greater of (a) the amount of the Allowed Claim or (b) the total amount in which such claim is recognized in the CCAA Proceedings, whether as a Proven Claim, Proven Secured Claim, unaffected claim or otherwise.

9.3 Provisions Relating to Holders of Convenience Claims Against the Cross-Border Debtors. The convenience claim thresholds under the CCAA Plan (CDN\$6,073) and the Plan (US\$5,000) account for differences caused by the foreign exchange rate between the U.S. and Canadian dollars on April 17, 2009 using the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars (US\$1 = Cdn\$1.2146) as provided in the Claims Bar Date Orders. Only with respect to Cross-Border Debtors, for purposes of determining whether a Claim is a Convenience Claim as defined in the Plan or a Cross-Border Convenience Claim as defined in the CCAA Plan, (a) all eligible Claims will be (i) valued in Canadian dollars using the conversion rate set forth in the Claims Orders and (ii) determined in reference to the dollar thresholds established for such treatment under the CCAA Plan (CDN\$6,073); and (b) cash

distributions on account of such Claims, once allowed, will be made in Canadian dollars. A classification or valid election to participate as (x) a Convenience Claim as defined in the Plan or (y) a Cross-Border Convenience Claim as defined in the CCAA Plan will be binding for purposes of voting and distributions under both Plans.

9.4 Distributions on Section 503(b)(9) Claims Against Cross-Border Debtors. Subject to Section 4.3 of this Plan, no distributions shall be made under this Plan on account of an Allowed Claim (or any part thereof) against a Cross-Border Debtor that is entitled to treatment under section 503(b)(9) of the Bankruptcy Code (such Claim or portion thereof entitled to such treatment, a "Cross-Border 503(b)(9) Claim" and a creditor holding such Claim, a "Cross-Border 503(b)(9) Claimant") unless the Disbursing Agent provides sixty (60) days advance notice of such intended distribution to the Post-Effective Date Claims Agent, and no distribution shall be made for such longer period as may be ordered by a court of competent jurisdiction with respect to any particular Cross-Border 503(b)(9) Claim; provided, however, that the Post-Effective Date Claims Agent at any time may agree that the Disbursing Agent may make a distribution on a Cross-Border 503(b)(9) Claim prior to the expiration of the sixty-day notice period; and provided further, however, that the sixty-day notice period shall not apply to the extent a Cross-Border 503(b)(9) Claimant withdraws its Cross-Border 503(b)(9) Claim.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Retention of Jurisdiction. Following the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising from or relating to the Chapter 11 Cases to the fullest extent of applicable law, including, without limitation:

(a) To determine the validity under any applicable law, allowability, classification and priority of Claims and Interests upon objection, or to estimate, pursuant to section 502(c) of the Bankruptcy Code, the amount of any Claim that is or is anticipated to be contingent or unliquidated as of the Effective Date;

(b) To construe and to take any action authorized by the Bankruptcy Code and requested by the Reorganized Debtors or any other party in interest to enforce this Plan and the documents and agreements filed in connection with this Plan, issue such orders as may be necessary for the implementation, execution and consummation of this Plan, without limiting the generality of the foregoing, orders to expedite regulatory decisions for the implementation of this Plan and to ensure conformity with the terms and conditions of this Plan, such documents and agreements and other orders of the Bankruptcy Court, notwithstanding any otherwise applicable non-bankruptcy law;

(c) To determine any and all applications for allowance of compensation and expense reimbursement of Professionals retained by the Debtors, the Reorganized Debtors or the Creditors Committee, and for members of the Creditors Committee, for periods on or before the Effective Date, and to determine any other request for payment of administrative expenses;

(d) To determine all matters that may be pending before the Bankruptcy Court on or before the Effective Date;

(e) To resolve any dispute regarding the implementation or interpretation of this Plan, or any related agreement or document that arises at any time before the Chapter 11 Cases are closed, including the determination, to the extent a dispute arises, of the entities entitled to a distribution within any particular Class of Claims and of the scope and nature of the Reorganized Debtors' obligations to cure defaults under assumed contracts, leases, franchises and permits;

(f) To determine any and all matters relating to the rejection, assumption or assignment of executory contracts or unexpired leases entered into prior to the Petition Date, the nature and amount of any Cure required for the assumption of any executory contract or unexpired lease, and the allowance of any Claim resulting therefrom, including the amount, validity and treatment under any applicable law of any Claim for damages arising from or related to the rejection of any such contract (including that certain Call Agreement between Woodbridge International Holdings, Ltd., Woodbridge International Holdings SA, Woodbridge Co. Ltd., Abitibi Consolidated Sales Corp., and ACI, dated September 6, 2001, as amended);

(g) To determine all applications, adversary proceedings, contested matters and other litigated matters that were brought or that could have been brought in the Bankruptcy Court on or before the Effective Date;

(h) To determine matters concerning local, state and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code, and to determine any tax claims that may arise against the Debtors or the Reorganized Debtors as a result of the transactions contemplated by this Plan; and

(i) To modify this Plan pursuant to section 1127 of the Bankruptcy Code or to remedy any apparent nonmaterial defect or omission in this Plan, or to reconcile any nonmaterial inconsistency in this Plan so as to carry out its intent and purposes.

From the Confirmation Date through the Effective Date, the Bankruptcy Court shall retain jurisdiction with respect to each of the foregoing items and all other matters that were subject to its jurisdiction prior to the Confirmation Date. Nothing contained herein shall be construed to increase, decrease or otherwise modify the independence, sovereignty or jurisdiction of the Bankruptcy Court, the Canadian Court, or any other court or tribunal in the United States or Canada, including the ability of any such court or tribunal to provide appropriate relief under applicable law on an ex parte or "limited notice" basis.

10.2 Terms Binding. Upon the occurrence of the Effective Date, all provisions of this Plan, including all agreements, instruments and other documents filed in connection with this Plan and executed by the Debtors or the Reorganized Debtors in connection with this Plan, shall be binding upon the Debtors, the Reorganized Debtors, all Claim and Interest holders and all other Persons that are affected in any manner by this Plan. All agreements, instruments and other documents filed in connection with this Plan shall have full force and effect, and shall bind all parties thereto as of the entry of the Confirmation Order, whether or not such exhibits actually

shall be executed by parties other than the Debtors or the Reorganized Debtors, or shall be issued, delivered or recorded on the Effective Date or thereafter. The rights, benefits and obligations of any entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

10.3 Governing Law. Except to the extent that the Bankruptcy Code or any other federal law is applicable or to the extent the law of a different jurisdiction is validly elected by the Debtors, the rights, duties and obligations arising under this Plan shall be governed in accordance with the substantive laws of the United States of America and, to the extent federal law is not applicable, the laws of the State of Delaware.

10.4 Severability. If the Bankruptcy Court determines at the Confirmation Hearing that any material provision of this Plan is invalid or unenforceable, such provision, subject to section 1127 of the Bankruptcy Code, shall be severable from this Plan and shall be null and void, and, in such event, such determination shall in no way limit or affect the enforceability or operative effect of any or all other portions of this Plan.

10.5 Confirmation Order and Plan Control. Except as otherwise provided in this Plan, in the event of any inconsistency between this Plan and the Disclosure Statement, any exhibit to this Plan or any other instrument or document created or executed pursuant to this Plan, this Plan shall control. In the event of any inconsistency between the Plan and the Confirmation Order, the Confirmation Order shall control.

10.6 Incorporation by Reference. Each Exhibit, schedule or Supplement to this Plan is incorporated herein by reference.

10.7 Plan Supplements. Each of the Plan Supplements shall be in form and substance reasonably satisfactory to the Creditors Committee.

10.8 Modifications to this Plan. The Debtors may amend or modify this Plan, and any Exhibit, schedule or Supplement to this Plan, at any time prior to the Confirmation Date in accordance with the Bankruptcy Code and Bankruptcy Rules; provided, however, that other than for technical or immaterial amendments and modifications, the Debtors may not amend or modify this Plan without the prior consent of the Creditors Committee, such consent not to be unreasonably withheld. A holder of a Claim or Interest that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, modified or supplemented, if the proposed alteration, amendment, modification or supplement does not materially and adversely change the treatment of the Claim or Interest of such holder.

10.9 Revocation, Withdrawal or Non-Consummation. The Debtors reserve the right to revoke or withdraw this Plan at any time prior to the Effective Date. If the Debtors revoke or withdraw this Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, then this Plan, any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims), the assumption or rejection of executory contracts or leases effected by this Plan, and any document or agreement executed pursuant to this Plan, shall be null and void; provided, however, that all orders of the Bankruptcy Court and all documents executed pursuant thereto, except the

Confirmation Order, shall remain in full force and effect. In such event, nothing contained herein, and no acts taken in preparation for consummation of this Plan, shall be deemed to constitute a waiver or release of any Claims by or against any of the Debtors or any other Person, to prejudice in any manner the rights of any of the Debtors or any Person in any further proceedings or to constitute an admission of any sort by any of the Debtors or any other Person.

10.10 Post-Confirmation Date Retention of Professionals. Upon the Effective Date, any requirement that professionals employed by the Reorganized Debtors comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors will be authorized to employ and compensate professionals in the ordinary course of business and without the need for Bankruptcy Court approval.

10.11 Exemption from Transfer Taxes. Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer or exchange of any securities, instruments or documents under the Plan, (b) the creation of any mortgage, deed of trust, Lien, pledge or other security interest under the Plan, (c) the making or assignment of any lease or sublease pursuant to the Plan, or (d) the making or delivery of any deed or other instrument of transfer under, pursuant to, or in connection with the Plan, including, without limitation, any merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale, assignments, and transfers of tangible property executed in connection with the Plan, the Confirmation Order or the Sanction Order, shall not be subject to any stamp tax or similar tax or government assessment to the fullest extent provided for under the Bankruptcy Code.

10.12 Payment of Statutory Fees. All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date.

10.13 Payment of Fees and Expenses of Indenture Trustees. On the Effective Date (and thereafter with respect to fees and expenses relating to post-Effective Date service under the Plan or the CCAA Plan) or as soon as reasonably practicable thereafter, the Disbursing Agent shall pay in Cash all reasonable and documented fees and expenses of the Indenture Trustees and their advisors (the "Indenture Trustee Fee Claims"). The Indenture Trustees and their advisors must provide reasonably detailed fee invoices to the Debtors or the Reorganized Debtors as a condition of payment hereunder (subject to redaction to preserve attorney-client privilege), provided, however, that the Indenture Trustees shall retain and may exercise their respective charging liens or priority payment rights (if any) until paid in full hereunder. Notwithstanding the foregoing, the Debtors or Reorganized Debtors may dispute any portion of the Indenture Trustee Fee Claims (a "Disputed Indenture Trustee Fee Claim"), in which case (a) the Debtors or Reorganized Debtors shall pay the portion of the Indenture Trustee Fee Claim that is not specifically disputed, and (b) in the absence of a consensual resolution of the Disputed Indenture Trustee Fee Claim, the Debtors, Reorganized Debtors or the applicable Indenture Trustee shall submit the Disputed Indenture Trustee Fee Claim to the Bankruptcy Court for adjudication. For the avoidance of doubt, unless otherwise determined by court order or mutually agreed to by the Debtors or Reorganized Debtors and any Indenture Trustee, nothing in this Section 10.13 or Section 2.13(b) of this Plan affects an Indenture Trustee's rights (if any)

under any applicable Indenture to assert Claims for fees and expenses to the extent not paid hereunder or otherwise satisfied by this Plan, and all of the parties' rights related to such Claims are fully preserved.

10.14 Notice. All notices, requests and demands to or upon the Debtors or the Reorganized Debtors to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

ABITIBIBOWATER INC.
1155 Metcalfe Street, Suite 800
Montréal (Québec), Canada H3B 5H2
Attention: Jacques P. Vachon
Telephone: (514) 875-2160

with a copy to:

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP
1285 Avenue of the Americas
New York, New York 10019-6064
Attention: Kelley A. Cornish
Alice Belisle Eaton
Claudia R. Tobler
Lauren Shumejda
Jacob A. Adlerstein
Telephone: (212) 373-3000
Facsimile: (212) 757-3990

and

YOUNG CONAWAY STARGATT & TAYLOR, LLP
The Brandywine Building
1000 West Street, 17th Floor
Wilmington, Delaware 19801
Attention: Pauline K. Morgan
Sean T. Greecher
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

10.15 Reservation of Rights. The filing of the Plan, the Disclosure Statement, any statement or provision contained in the Plan, or the taking of any action by the Debtors with respect to the Plan, shall not be and shall not be deemed to be an admission or waiver of any rights of the Debtors with respect to any holders of Claims against or Interests in the Debtors.

10.16 No Waiver. Neither the failure of a Debtor to list a Claim or Interest in the Debtor's Schedules, the failure of a Debtor to object to any Claim, Administrative Expense

Claim or Interest for purposes of voting, the failure of a Debtor to object to a Claim, Administrative Expense Claim or Interest prior to the Confirmation Date or the Effective Date, nor the failure of a Debtor to assert a Retained Cause of Action prior to the Confirmation Date or the Effective Date shall, in the absence of a legally-effective express waiver or release executed by the Debtor with the approval of the Bankruptcy Court, if required, and with any other consents or approvals required under the Plan, be deemed a waiver or release of the right of a Debtor, a Reorganized Debtor, the Post-Effective Date Claims Agent or their respective successors, either before or after solicitation of votes on the Plan, the Confirmation Date or the Effective Date, to (a) object to or examine such Claim, Administrative Expense Claim or Interest, in whole or in part, or (b) retain or either assign or exclusively assert, pursue, prosecute, utilize, or otherwise act or enforce any Retained Cause of Action against the holder of such Claim, Administrative Expense Claim or Interest.

Dated: August 2, 2010

AbitibiBowater Inc.
AbitibiBowater US Holding 1 Corp.
AbitibiBowater US Holding LLC
AbitibiBowater Canada Inc.
Bowater Alabama LLC
Bowater America Inc.
Bowater Canada Finance Corporation
Bowater Canadian Forest Products Inc.
Bowater Canadian Holdings Incorporated
Bowater Canadian Limited
Bowater Finance Company Inc.
Bowater Finance II LLC
Bowater Incorporated
Bowater LaHave Corporation
Bowater Maritimes Inc.
Bowater Newsprint South LLC
Bowater Newsprint South Operations LLC
Bowater Nuway Inc.
Bowater Nuway Mid-States Inc.
Bowater South American Holdings Incorporated
Bowater Ventures Inc.
Catawba Property Holdings, LLC
Coosa Pines Golf Club Holdings LLC
Donohue Corp.
Lake Superior Forest Products Inc.
Tenex Data Inc
ABH LLC 1
ABH Holding Company LLC

By: /s/ William G. Harvey
Name: William G. Harvey
Title: Authorized Signatory
Chief Financial Officer, AbitibiBowater Inc.

-- and --

Abitibi Consolidated Sales Corporation
Abitibi-Consolidated Corp.
Abitibi-Consolidated Finance LP
Abitibi-Consolidated Alabama Corporation
Augusta Woodlands LLC
Alabama River Newsprint Company

By: /s/ Jacques P. Vachon
Name: Jacques P. Vachon
Title: Authorized Signatory
Senior Vice President, AbitibiBowater Inc.

Exhibit A

Plan Exhibit A
List of Debtors, Cross Border Debtors, CCAA Debtors and Canadian Debtors

Chapter 11 Debtor	Case Number
AbitibiBowater Inc.	09-11296
AbitibiBowater US Holding 1 Corp.	09-11331
AbitibiBowater US Holding LLC	09-11297
AbitibiBowater Canada Inc.	09-11321
Abitibi-Consolidated Alabama Corporation	09-11300
Abitibi-Consolidated Corporation	09-11302
Abitibi-Consolidated Finance LP	09-11305
Abitibi Consolidated Sales Corporation	09-11299
Alabama River Newsprint Company	09-11301
Augusta Woodlands, LLC	09-11303
Bowater Alabama LLC	09-11309
Bowater America Inc.	09-11316
Bowater Canada Finance Corporation	09-11319
Bowater Canadian Forest Products Inc.	09-11322
Bowater Canadian Holdings Incorporated	09-11320
Bowater Canadian Limited	09-11326
Bowater Finance Company Inc.	09-11314
Bowater Finance II LLC	09-11308
Bowater Incorporated	09-11311
Bowater LaHave Corporation	09-11325
Bowater Maritimes Inc.	09-11324
Bowater Newsprint South LLC	09-11306
Bowater Newsprint South Operations LLC	09-11307
Bowater Nuway Inc.	09-11328
Bowater Nuway Mid-Sates Inc.	09-11329
Bowater South American Holdings Incorporated	09-11315
Bowater Ventures Inc.	09-11330
Catawba Property Holdings, LLC	09-11312
Coosa Pines Golf Club Holdings LLC	09-11310
Donohue Corp.	09-11298
Lake Superior Forest Products Inc.	09-11317
Tenex Data Inc.	09-11304
ABH Holding Company Inc.	09-14487
ABH LLC 1	09-14485

Cross-Border Debtors	Case Number
AbitibiBowater Canada, Inc.	09-11321
Bowater Canada Finance Corporation	09-11319
Bowater Canadian Forest Products Inc.	09-11322
Bowater Canadian Holdings Incorporated	09-11320
Bowater Canadian Limited	09-11326
Bowater LaHave Corporation	09-11325
Bowater Maritimes Inc.	09-11324

Canadian Debtors	Case Number
1508756 Ontario Inc.	n/a
3217925 Nova Scotia Company	n/a
3224112 Nova Scotia Limited	n/a
3231378 Nova Scotia Company	n/a
3834328 Canada Inc.	n/a
4042140 Canada Inc.	n/a
6169678 Canada Inc.	n/a
9068-9050 Québec Inc.	n/a
9150-3383 Québec Inc.	n/a
AbitibiBowater Canada Inc.	09-11321
Abitibi-Consolidated (U.K.) Inc	n/a
Abitibi-Consolidated Canadian Office Products Holding Inc.	n/a
Abitibi-Consolidated Company of Canada	n/a
Abitibi-Consolidated Inc.	n/a
Abitibi-Consolidated Nova Scotia Incorporated	n/a
Alliance Forest Products Inc. (2001)	n/a
Bowater Belledune Sawmill Inc.	n/a
Bowater Canada Finance Corporation	09-11319
Bowater Canada Treasury Corporation	n/a
Bowater Canadian Forest Products Inc.	09-11322
Bowater Canadian Holdings, Inc.	09-11320
Bowater Canadian Limited	09-11326
Bowater Couturier Inc.	n/a
Bowater Guérette Inc.	n/a
Bowater LaHave Corporation	09-11325
Bowater Maritimes Inc.	09-11324
Bowater Mitis Inc.	n/a
Bowater Shelburne Corporation	n/a
Bowater Treated Wood Inc.	n/a
Canexel Hardboard Inc.	n/a
Donohue Recycling Inc.	n/a
La Tuque Forest Products Inc.	n/a
Marketing Donohue Inc.	n/a

Canadian Debtors	Case Number
Saguenay Forest Products Inc.	n/a
Scramble Mining Ltd.	n/a
St-Maurice River Drive Company Limited	n/a
Terra Nova Explorations Ltd.	n/a
The International Bridge and Terminal Company	n/a
The Jonquière Pulp Company	n/a

CCAA Debtors	Case Number
1508756 Ontario Inc.	n/a
3217925 Nova Scotia Company	n/a
3224112 Nova Scotia Limited	n/a
3231378 Nova Scotia Company	n/a
3834328 Canada Inc.	n/a
4042140 Canada Inc.	n/a
6169678 Canada Inc.	n/a
9068-9050 Québec Inc.	n/a
9150-3383 Québec Inc.	n/a
Abitibi-Consolidated (U.K.) Inc	n/a
Abitibi-Consolidated Canadian Office Products Holding Inc.	n/a
Abitibi-Consolidated Company of Canada	n/a
Abitibi-Consolidated Inc.	n/a
Abitibi-Consolidated Nova Scotia Incorporated	n/a
Alliance Forest Products Inc. (2001)	n/a
Bowater Belledune Sawmill Inc.	n/a
Bowater Canada Treasury Corporation	n/a
Bowater Couturier Inc.	n/a
Bowater Guérette Inc.	n/a
Bowater Mitis Inc.	n/a
Bowater Shelburne Corporation	n/a
Bowater Treated Wood Inc.	n/a
Canoxel Hardboard Inc.	n/a
Donohue Recycling Inc.	n/a
La Tuque Forest Products Inc.	n/a
Marketing Donohue Inc.	n/a
Saguenay Forest Products Inc.	n/a
Scramble Mining Ltd.	n/a
St-Maurice River Drive Company Limited	n/a
Terra Nova Explorations Ltd.	n/a
The International Bridge and Terminal Company	n/a
The Jonquière Pulp Company	n/a

Exhibit B

Plan Exhibit B1

Class 1 Claims
Priority Non-Tax Claims

Chapter 11 Debtor	Class No.
AbitibiBowater Inc.	1A
AbitibiBowater US Holding 1 Corp.	1B
AbitibiBowater US Holding LLC	1C
AbitibiBowater Canada Inc.	1D
Abitibi-Consolidated Alabama Corporation	1E
Abitibi-Consolidated Corporation	1F
Abitibi-Consolidated Finance LP	1G
Abitibi Consolidated Sales Corporation	1H
Alabama River Newsprint Company	1I
Augusta Woodlands, LLC	1J
Bowater Alabama LLC	1K
Bowater America Inc.	1L
Bowater Canada Finance Corporation	1M
Bowater Canadian Forest Products Inc.	1N
Bowater Canadian Holdings Incorporated	1O
Bowater Canadian Limited	1P
Bowater Finance Company Inc.	1Q
Bowater Finance II LLC	1R
Bowater Incorporated	1S
Bowater LaHave Corporation	1T
Bowater Maritimes Inc.	1U
Bowater Newsprint South LLC	1V
Bowater Newsprint South Operations LLC	1W
Bowater Nuway Inc.	1X
Bowater Nuway Mid-Sates Inc.	1Y
Bowater South American Holdings Incorporated	1Z
Bowater Ventures Inc.	1AA
Catawba Property Holdings, LLC	1BB
Coosa Pines Golf Club Holdings LLC	1CC
Donohue Corp.	1DD
Lake Superior Forest Products Inc.	1EE
Tenex Data Inc.	1FF
ABH LLC 1	1GG
ABH Holding Company LLC	1HH

Plan Exhibit B2

Class 2 Claims
Bowater Secured Bank Claims

Chapter 11 Debtor	Class No.	Allowed Principal Amount*
Bowater Alabama LLC	2A	\$271,604,813.44
Bowater America Inc.	2B	\$271,604,813.44
Bowater Incorporated	2C	\$271,604,813.44
Bowater Newsprint South LLC	2D	\$271,604,813.44
Bowater Newsprint South Operations LLC	2E	\$271,604,813.44
Bowater Nuway Inc.	2F	\$271,604,813.44
Bowater Nuway Mid-Sates Inc.	2G	\$271,604,813.44

* The Allowed Principal Amount includes amounts outstanding under issued Bowater Secured Bank Letters of Credit but does not include Claims for interest, fees and other amounts outstanding (including (i) reimbursement obligations for Bowater Secured Bank Letters of Credit; (ii) accrued interest at the default rate plus reasonable professional fees; and (iii) Obligations as such term is defined in the Bowater Secured Bank Documents) under the Bowater Secured Bank Documents. The Bowater Secured Bank Claims are Allowed as provided in Section 2.9 of this Plan, which Allowed amounts include such additional amounts.

Plan Exhibit B3

**Class 3 Claims
BCFPI Secured Bank Claims**

Chapter 11 Debtor	Class No.	Allowed Principal Amount*
Bowater Alabama LLC	3A	Cdn \$ 85,147,269.40 and \$48,799,576.50
Bowater Canadian Forest Products Inc.	3B	Cdn \$ 85,147,269.40 and \$48,799,576.50
Bowater Canadian Holdings Incorporated	3C	Cdn \$ 85,147,269.40 and \$48,799,576.50
Bowater Canadian Limited	3D	Cdn \$ 85,147,269.40 and \$48,799,576.50
Bowater LaHave Corporation	3E	Cdn \$ 85,147,269.40 and \$48,799,576.50
Bowater Newsprint South Operations LLC	3F	Cdn \$ 85,147,269.40 and \$48,799,576.50
Bowater Shelburne	3G	Cdn \$ 85,147,269.40 and \$48,799,576.50

* The Allowed Principal Amount set forth on this Exhibit B3 includes the portion of the BCFPI Secured Bank Claims for principal only reflected in the currency that such amounts remain outstanding, and does not take into account paragraph L(vii) of the DIP Facility Order and any agreement therein with respect to the currency or foreign exchange rate used to calculate distributions on account of the BCFPI Secured Bank Claims and it does not include the entirety of the Allowed BCFPI Secured Bank Claim, which includes all Claims for interest, fees and other amounts outstanding (including (i) reimbursement obligations for BCFPI Secured Bank Letters of Credit; (ii) accrued interest at the default rate plus reasonable professional fees; (iii) other Obligations as such term is defined in the BCFPI Secured Bank Documents, if any, and (iv) other payments that may become due on account of adequate protection payments on the DIP Facility Order, if any) under the BCFPI Secured Bank Documents. The BCFPI Secured Bank Claims are Allowed as provided in Section 2.10 of this Plan, which Allowed amounts include such additional amounts.

Plan Exhibit B4

**Class 4 Claims
ACCC Term Loan Secured Guaranty Claims**

Chapter 11 Debtor	Class No.	Allowed Principal Amount of Claim*
ABH LLC 1	4A	\$346,898,769.39
Abitibi Consolidated Sales Corporation	4B	\$346,898,769.39
Abitibi-Consolidated Alabama Corporation	4C	\$346,898,769.39
Abitibi-Consolidated Corporation	4D	\$346,898,769.39
Alabama River Newsprint Company	4E	\$346,898,769.39
Augusta Woodlands, LLC	4F	\$346,898,769.39
Donohue Corp.	4G	\$346,898,769.39

* The Allowed Principal Amount does not include Claims for interest, fees and other amounts outstanding under the ACCC Term Loan Documents. The ACCC Term Loan Secured Guaranty Claims are Allowed as provided in Section 2.11 of this Plan, which Allowed amounts include such additional amounts.

Plan Exhibit B5

**Class 5 Claims
Other Secured Claims**

Chapter 11 Debtor	Class No.
AbitibiBowater Inc.	5A
AbitibiBowater US Holding 1 Corp.	5B
AbitibiBowater US Holding LLC	5C
AbitibiBowater Canada Inc.	5D
Abitibi-Consolidated Alabama Corporation	5E
Abitibi-Consolidated Corporation	5F
Abitibi-Consolidated Finance LP	5G
Abitibi Consolidated Sales Corporation	5H
Alabama River Newsprint Company	5I
Augusta Woodlands, LLC	5J
Bowater Alabama LLC	5K
Bowater America Inc.	5L
Bowater Canada Finance Corporation	5M
Bowater Canadian Forest Products Inc.	5N
Bowater Canadian Holdings Incorporated	5O
Bowater Canadian Limited	5P
Bowater Finance Company Inc.	5Q
Bowater Finance II LLC	5R
Bowater Incorporated	5S
Bowater LaHave Corporation	5T
Bowater Maritimes Inc.	5U
Bowater Newsprint South LLC	5V
Bowater Newsprint South Operations LLC	5W
Bowater Nuway Inc.	5X
Bowater Nuway Mid-Sates Inc.	5Y
Bowater South American Holdings Incorporated	5Z
Bowater Ventures Inc.	5AA
Catawba Property Holdings, LLC	5BB
Coosa Pines Golf Club Holdings LLC	5CC
Donohue Corp.	5DD
Lake Superior Forest Products Inc.	5EE
Tenex Data Inc.	5FF
ABH LLC 1	5GG
ABH Holding Company LLC	5HH

Plan Exhibit B6

Class 6 Claims Unsecured Claims

Chapter 11 Debtor	Class No.	Percent of New ABH Common Stock Allocated to Each Debtor (Subject to Dilution) ¹	Number of Shares of New ABH Common Stock Allocated to Each Debtor (Subject to Dilution) ¹
AbitibiBowater Inc.	6A	0.1%	141,299
AbitibiBowater US Holding 1 Corp.	6B	0.0%	0
AbitibiBowater US Holding LLC	6C	0.0%	0
AbitibiBowater Canada Inc.	6D	0.0%	2
Abitibi-Consolidated Alabama Corporation	6E	0.0%	0
Abitibi-Consolidated Corporation	6F	1.5%	1,492,873
Abitibi-Consolidated Finance LP	6G	0.3%	264,827
Abitibi Consolidated Sales Corporation	6H	4.3%	4,175,950
Alabama River Newsprint Company	6I	0.1%	50,644
Augusta Woodlands, LLC	6J	0.0%	19,274
Bowater Alabama LLC	6K	0.3%	260,991
Bowater America Inc.	6L	0.3%	297,490
Bowater Canada Finance Corporation	6M	0.2%	233,714
Bowater Canadian Forest Products Inc.	6N	7.0%	6,845,106
Bowater Canadian Holdings Incorporated	6O	0.0%	613
Bowater Canadian Limited	6P	0.0%	8,508
Bowater Finance Company Inc.	6Q	0.0%	0
Bowater Finance II LLC	6R	0.0%	0
Bowater Incorporated	6S	52.0%	50,468,374
Bowater LaHave Corporation	6T	0.0%	0
Bowater Maritimes Inc.	6U	0.0%	44,806
Bowater Newsprint South LLC	6V	0.0%	141
Bowater Newsprint South Operations LLC	6W	0.1%	55,395
Bowater Nuway Inc.	6X	0.0%	2,007
Bowater Nuway Mid-Sates Inc.	6Y	0.0%	3,974
Bowater South American Holdings Incorporated	6Z	0.0%	0
Bowater Ventures Inc.	6AA	0.0%	0

¹ The Plan provides the percentage and the number of shares of New ABH Common Stock allocated to each Debtor (including the Cross-Border Debtors) based on the total New ABH Common Stock to be issued under both this Plan and the CCAA Plan. The balance of New ABH Common Stock that this Exhibit B6 does not reflect will be distributed to the CCAA Debtors pursuant to the CCAA Plan.

Chapter 11 Debtor	Class No.	Percent of New ABH Common Stock Allocated to Each Debtor (Subject to Dilution) ¹	Number of Shares of New ABH Common Stock Allocated to Each Debtor (Subject to Dilution) ¹
Catawba Property Holdings, LLC	6BB	0.0%	0
Coosa Pines Golf Club Holdings LLC	6CC	0.0%	1,521
Donohue Corp.	6DD	3.5%	3,385,539
Lake Superior Forest Products Inc.	6EE	0.0%	67
Tenex Data Inc.	6FF	0.0%	0
ABH LLC 1	6GG	0.0%	0
ABH Holding Company LLC	6HH	0.0%	0

Plan Exhibit B6 (continued)

Class 6 Claims
Allowed Unsecured Note Claims

Unsecured Notes	Class No.(s)	Allowed Claim ¹
6.50% Notes	6S	\$408,071,926
7.40% Revenue Bonds (2010) Loan Agreement	6S	\$3,320,146
7.40% Revenue Bonds (2022) Loan Agreement	6S	\$40,596,125
7.625% Revenue Bonds Loan Agreement	6S	\$30,244,688
7.75% Revenue Bonds Loan Agreement	6S	\$62,200,208
7.875% Senior Notes	6G	\$7,972,373
7.95% Notes	6M ²	\$619,875,000
8.00% Convertible Notes	6A, 6S	\$387,304,167
9.00% Debentures	6S	\$252,743,725
9.375% Debentures	6S	\$205,669,708
9.50% Debentures	6S	\$130,890,924
10.26% Senior Notes (Series D)	6N	\$4,514,114
10.50% Senior Notes (Series B)	6N	\$21,119,950
10.60% Senior Notes (Series C)	6N	\$71,875,611
10.625% Senior Notes (Series A)	6N	\$ 2,822,315
10.85% Debentures	6N	\$107,872,474
13.75% Senior Secured Notes	6E, 6F, 6H, 6I, 6J, 6DD, 6GG	\$338,906,585
15.50% Senior Notes	6E, 6F, 6H, 6I, 6J, 6DD, 6GG	\$305,589,358
Floating Rate Notes (2010)	6S	\$235,308,759
UDAG Loan	6W	\$4,656,250

¹ Please refer to Exhibit 4 of the Plan Support Agreement for additional detail on recoveries for Claims arising from the Unsecured Notes.

² Bowater acknowledges that at least one of the BCFC Contribution Claim or the 7.95% Notes Guaranty Claim will be an Allowed Claim in Class 6S against Bowater. Subject to Bowater's rights to settle such Claims, the Court shall determine whether such Allowed Claim is on account of (i) the BCFC Contribution Claim and/or (ii) the 7.95% Notes Guaranty. This acknowledgment shall not be interpreted to prejudice the rights, if any, of any party in interest to seek to have Allowed the 7.95% Notes Guaranty Claim or the BCFC Contribution Claim or both, or the rights of any party in interest to object to one or both of such Claims on any basis.

Plan Exhibit B7

Class 7 Claims
Convenience Claims

Chapter 11 Debtor	Class No.
AbitibiBowater Inc.	7A
AbitibiBowater US Holding I Corp.	7B
AbitibiBowater US Holding LLC	7C
AbitibiBowater Canada Inc.	7D
Abitibi-Consolidated Alabama Corporation	7E
Abitibi-Consolidated Corporation	7F
Abitibi-Consolidated Finance LP	7G
Abitibi Consolidated Sales Corporation	7H
Alabama River Newsprint Company	7I
Augusta Woodlands, LLC	7J
Bowater Alabama LLC	7K
Bowater America Inc.	7L
Bowater Canada Finance Corporation	7M
Bowater Canadian Forest Products Inc.	7N
Bowater Canadian Holdings Incorporated	7O
Bowater Canadian Limited	7P
Bowater Finance Company Inc.	7Q
Bowater Finance II LLC	7R
Bowater Incorporated	7S
Bowater LaHave Corporation	7T
Bowater Maritimes Inc.	7U
Bowater Newsprint South LLC	7V
Bowater Newsprint South Operations LLC	7W
Bowater Nuway Inc.	7X
Bowater Nuway Mid-Sates Inc.	7Y
Bowater South American Holdings Incorporated	7Z
Bowater Ventures Inc.	7AA
Catawba Property Holdings, LLC	7BB
Coosa Pines Golf Club Holdings LLC	7CC
Donohue Corp.	7DD
Lake Superior Forest Products Inc.	7EE
Tenex Data Inc.	7FF
ABH LLC I	7GG
ABH Holding Company LLC	7HH

Plan Exhibit B8

**Class 8 Claims
Intercompany Claims and Intercompany Interests**

Subject to Sections 6.2, 6.3 and 6.17 of this Plan, and except as otherwise ordered by the Bankruptcy Court with respect to a particular Intercompany Claim or Intercompany Interest, on the Effective Date, at the option of the Debtors or the Reorganized Debtors, the Intercompany Claims shall either be (a) Reinstated, in full or in part, and treated in the ordinary course of business, or (b) cancelled and discharged, in full or in part; provided, however, that any such election by the Debtors or the Reorganized Debtors shall not impact any recoveries under this Plan. Unless otherwise ordered by the Bankruptcy Court with respect to a particular Intercompany Claim or Intercompany Interest, and subject to Sections 6.2, 6.3 and 6.17 hereof, holders of Intercompany Claims and Intercompany Interests shall not receive or retain any property on account of such Intercompany Claims and Interests to the extent such claim is cancelled and discharged as provided in Section 2.15(b).

Plan Exhibit B9

Class 9 Claims and Interests
Common Stock Claims and Interests

Common Stock Claims and Interests shall be cancelled, and the holders of Common Stock Claims and Interests shall not be entitled to receive or retain any property on account of such Claims and Interests.

APPENDIX “H”

ALLOCATION OF NEW ABH COMMON STOCK TO THE PETITIONERS

SCHEDULE C
Affected Unsecured Claims Shares Allocation⁽¹⁾⁽⁵⁾

Affected Unsecured Creditor Class	Shares of New ABH Common Stock⁽²⁾⁽³⁾⁽⁴⁾	Percentage of New ABH Equity⁽²⁾⁽⁴⁾
1. ACI Affected Unsecured Creditor Class	4,397,829	4.5%
2. ACCC Affected Unsecured Creditor Class	20,498,391	21.1%
3. Saguenay Forest Products Affected Unsecured Creditor Class	5,947	0.0%
4. BCFPI Affected Unsecured Creditor Class	6,845,106	7.0%
5. BCFC Affected Unsecured Creditor Class	233,714	0.2%
6. AbitibiBowater Canada Affected Unsecured Creditor Class	2	0.0%
7. Bowater Maritimes Affected Unsecured Creditor Class	44,806	0.0%
8. ACNSI Affected Unsecured Creditor Class	46,882	0.1%
9. Office Products Affected Unsecured Creditor Class	1,955	0.0%
10. Recycling Affected Unsecured Creditor Class	277	0.0%

⁽¹⁾ This allocation takes into consideration, among other things, Inter-company Claims on a pro rata basis with third party creditor Claims.

⁽²⁾ Claims estimates are subject to change due to ongoing claims resolution.

⁽³⁾ Subject to dilution from management incentive plan and Rights Offering.

⁽⁴⁾ Only includes shares of New ABH Common Stock allocated to Affected Unsecured Claims, other than the 15.5% Senior Unsecured Notes Claims.

⁽⁵⁾ Assumes no holder of Affected Unsecured Claims have elected to receive shares of New ABH Common Stock.

SCHEDULE D
15.5% Senior Unsecured Notes Claims Share Allocation⁽¹⁾

Name of Applicants	Shares of New ABH Common Stock⁽²⁾⁽³⁾⁽⁴⁾	Percentage of New ABH Equity⁽²⁾⁽⁵⁾
1. Abitibi-Consolidated Inc.	409,436	0.4%
2. Abitibi-Consolidated Company of Canada	2,076,508	2.1%
3. Saguenay Forest Products	326,435	0.3%
4. 3224112 Nova Scotia Limited	0	0.0%
5. Marketing Donohue Inc.	0	0.0%
6. Abitibi-Consolidated Canadian Office Products Holdings Inc.	0	0.0%
7. 3834328 Canada Inc.	0	0.0%
8. 6169678 Canada Inc.	443	0.0%
9. Donohue Recycling Inc.	0	0.0%
10. 1508756 Ontario Inc.	0	0.0%
11. The Jonquière Pulp Company	6,203	0.0%
12. The International Bridge and Terminal Company	7,315	0.0%
13. Scramble Mining Ltd.	0	0.0%
14. Terra Nova Explorations Ltd.	1,902	0.0%
15. Abitibi-Consolidated (U.K.) Inc.	1,564,602	1.6%
16. Abitibi-Consolidated Nova Scotia Incorporated	46,836	0.0%

⁽¹⁾ This allocation takes into consideration, among other things, Inter-company Claims on a pro rata basis with third party creditor Claims.

⁽²⁾ Claims estimates are subject to change due to ongoing claims resolution.

⁽³⁾ Subject to dilution from management incentive plan and Rights Offering.

⁽⁴⁾ Only includes shares of New ABH Common Stock allocated to the 15.5% Senior Unsecured Notes Claims.

⁽⁵⁾ Assumes no holder of Affected Unsecured Claims have elected to receive shares of New ABH Common Stock.

APPENDIX “I”

ALLOCATION OF NEW ABH COMMON STOCK TO THE U.S. DEBTORS

Plan Exhibit B6

Class 6 Claims Unsecured Claims

Chapter 11 Debtor	Class No.	Percent of New ABH Common Stock Allocated to Each Debtor (Subject to Dilution) ¹	Number of Shares of New ABH Common Stock Allocated to Each Debtor (Subject to Dilution) ¹
AbitibiBowater Inc.	6A	0.1%	141,299
AbitibiBowater US Holding I Corp.	6B	0.0%	0
AbitibiBowater US Holding LLC	6C	0.0%	0
AbitibiBowater Canada Inc.	6D	0.0%	2
Abitibi-Consolidated Alabama Corporation	6E	0.0%	0
Abitibi-Consolidated Corporation	6F	1.5%	1,492,873
Abitibi-Consolidated Finance LP	6G	0.3%	264,827
Abitibi Consolidated Sales Corporation	6H	4.3%	4,175,950
Alabama River Newsprint Company	6I	0.1%	50,644
Augusta Woodlands, LLC	6J	0.0%	19,274
Bowater Alabama LLC	6K	0.3%	260,991
Bowater America Inc.	6L	0.3%	297,490
Bowater Canada Finance Corporation	6M	0.2%	233,714
Bowater Canadian Forest Products Inc.	6N	7.0%	6,845,106
Bowater Canadian Holdings Incorporated	6O	0.0%	613
Bowater Canadian Limited	6P	0.0%	8,508
Bowater Finance Company Inc.	6Q	0.0%	0
Bowater Finance II LLC	6R	0.0%	0
Bowater Incorporated	6S	52.0%	50,468,374
Bowater LaHave Corporation	6T	0.0%	0
Bowater Maritimes Inc.	6U	0.0%	44,806
Bowater Newsprint South LLC	6V	0.0%	141
Bowater Newsprint South Operations LLC	6W	0.1%	55,395
Bowater Nuway Inc.	6X	0.0%	2,007
Bowater Nuway Mid-Sates Inc.	6Y	0.0%	3,974
Bowater South American Holdings Incorporated	6Z	0.0%	0
Bowater Ventures Inc.	6AA	0.0%	0

¹ The Plan provides the percentage and the number of shares of New ABH Common Stock allocated to each Debtor (including the Cross-Border Debtors) based on the total New ABH Common Stock to be issued under both this Plan and the CCAA Plan. The balance of New ABH Common Stock that this Exhibit B6 does not reflect will be distributed to the CCAA Debtors pursuant to the CCAA Plan.