

CROSS-BORDER INSOLVENCY PROTOCOL

This cross-border insolvency protocol (the "Protocol") shall govern the conduct of all parties-in-interest in the Insolvency Proceedings (as defined below).

The *Guidelines Applicable to Court-to-Court Communications in Cross-Border Cases* (the "Guidelines"), attached as Exhibit C to the Motion, shall be incorporated by reference and form part of this Protocol. Where there is any discrepancy between the Protocol and the Guidelines, this Protocol shall prevail.

Background

1. AbitibiBowater Inc. and certain of its direct and indirect Canadian subsidiaries (collectively, the "CCAA Debtors")¹ commenced reorganization proceedings (collectively, the "Canadian Proceedings") by filing an application under the Canadian *Companies' Creditors Arrangement Act* (the "CCAA") with the Superior Court, Commercial Division, for the Judicial District of Montreal, Canada (the "Canadian Court") and an Order (the "CCAA Order") has been granted under which (a) the CCAA Debtors have been determined to be entitled to relief under the CCAA, and (b) Ernst & Young Inc. was appointed as monitor (the "Monitor") in the Canadian Proceedings, with the rights, powers, duties and limitations upon liabilities set forth in the CCAA and in the CCAA Order.

¹ 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., Canoxel Hardboard Inc., 9068-9050 Quebec Inc., Bowater Canada Treasury Corporation, Bowater Canada Finance Limited Partnership, Bowater Shelburne Corporation, 3231378 Nova Scotia, Bowater Pulp and Paper Canada Holdings Limited Partnership, Abitibi Consolidated Inc., Abitibi-Consolidated Company of Canada, Abitibi-Consolidated Nova Scotia Incorporated, 32117925 Nova Scotia Company, Terra-Nova Explorations Ltd., The Jonquiere Pulp Company, The International Bridge and Terminal Company, Scramble Mining Limited, 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.

2. AbitibiBowater Inc. and certain of its direct and indirect U.S. subsidiaries (the “U.S. Debtors”),² together with certain of the CCAA Debtors (the “Canadian Debtors,”³ and together with the U.S. Debtors, the “Debtors”) have commenced reorganization cases (collectively, the “Chapter 11 Cases”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Delaware (the “U.S. Court”), and such cases have been consolidated (for procedural purposes only) under Case No. 09-_____(____). The Debtors continue to operate their business and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Chapter 11 Cases.

3. For convenience, (i) the Chapter 11 Cases and the Canadian Proceedings shall be referred to herein collectively as the “Insolvency Proceedings”, (ii) the U.S. Court and the Canadian Court shall be referred to herein collectively as the “Courts”, and (iii) the U.S. Representatives and the Canadian Representatives (each as defined below) shall be referred to herein collectively as the “Representatives”.

4. AbitibiBowater Inc. is the direct or indirect corporate parent of all of the other Debtors and the CCAA Debtors. The management and business operations of all of the

² The U.S. Debtors in these cases are: AbitibiBowater Inc., AbitibiBowater US Holding 1 Corp., AbitibiBowater US Holding LLC, 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 Finance Company Inc., Bowater Finance II LLC, Bowater Incorporated, 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.

³ The Canadian 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.

Debtors and the CCAA Debtors are directed by AbitibiBowater Inc. from its headquarters in Montreal, Canada.

Purpose and Goals

5. While the Insolvency Proceedings are pending in the United States and Canada, the implementation of administrative procedures is both necessary and desirable to coordinate certain activities therein, to protect the rights of parties thereto, to ensure the maintenance of the Courts' respective independent jurisdiction and to give effect to the doctrines of comity. Accordingly, this Protocol has been developed to promote the following mutually desirable goals and objectives in the Insolvency Proceedings:

- (a) harmonize and coordinate activities between the Courts in the Insolvency Proceedings;
- (b) promote and facilitate the fair, open, orderly and efficient administration of the Insolvency Proceedings to, among other things, maximize the efficiency of same, reduce the costs associated therewith and avoid duplication of efforts;
- (c) honor the respective independence and integrity of the Courts and other courts and tribunals of Canada and the United States;
- (d) promote international cooperation and respect for comity among the Courts, the Debtors, any official committee of unsecured creditors appointed in the Chapter 11 Cases (the "Committee"), the Representatives (as defined below) and other creditors and interested parties in the Insolvency Proceedings; and
- (e) implement a framework of general principles to address basic administrative issues arising out of the cross-border nature of the Insolvency Proceedings.

Comity and Independence of the Courts

6. The approval and implementation of this Protocol shall not divest or diminish the U.S. Court's and the Canadian Court's respective independent jurisdiction over the subject matter of the Chapter 11 Cases and Canadian Proceedings, respectively. By approving and implementing this Protocol, neither the U.S. Court, the Canadian Court, the Debtors nor any

creditor or any other interested party shall be deemed to have approved or engaged in any infringement on the sovereignty of the United States or Canada.

7. The U.S. Court shall have sole and exclusive jurisdiction and power over the conduct and hearing of the Chapter 11 Cases. The Canadian Court shall have sole and exclusive jurisdiction and power over the conduct and hearing of the Canadian Proceedings. In accordance with the principles of comity and independence recognized herein, nothing contained herein shall be construed to:

- (a) increase, decrease or otherwise modify the independence, sovereignty or jurisdiction of the U.S. 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;
- (b) require the U.S. Court to take any action that is inconsistent with its obligations under the laws of the United States;
- (c) require the Canadian Court to take any action that is inconsistent with its obligations under the laws of Canada;
- (d) require the Debtors, the Monitor, the Committee or the Representatives to take any action or refrain from taking any action that would result in a breach of any duty imposed on them by any applicable law;
- (e) authorize any action that requires the specific approval of one or both of the Courts under the Bankruptcy Code or the CCAA after appropriate notice and a hearing (except to the extent that such action specifically is described in this Protocol); or
- (f) preclude the Debtors, the Committee, the Monitor, the Office of the United States Trustee (the "U.S. Trustee"), any creditor or any other interested party from asserting such party's substantive rights under the applicable laws of the United States, Canada or any other jurisdiction including, without limitation, the rights of interested parties or affected persons to appeal from the decisions taken by one or both of the Courts.

8. The Debtors, the Representatives and their respective employees, members, agents and professionals shall respect and comply with the independent, nondelegable duties imposed upon them by the Bankruptcy Code, the CCAA, the CCAA Order and other applicable laws and court orders.

Cooperation

9. To assist in the efficient administration of the Insolvency Proceedings and in recognizing that any of the Debtors may be creditors of any of the others' estates, the Debtors and the fiduciaries of their respective estates shall, where appropriate: (i) cooperate with each other in connection with actions taken in both the U.S. Court and the Canadian Court; and (ii) take any other appropriate steps to coordinate the administration of the Insolvency Proceedings for the benefit of the Debtors' respective estates and stakeholders.

10. To harmonize and coordinate the administration of the Insolvency Proceedings, the U.S. Court and the Canadian Court each may coordinate activities and consider whether it is appropriate to defer to the judgment of the other Court. In furtherance of the foregoing:

- (a) The U.S. Court and the Canadian Court may communicate with one another, with or without counsel present, with respect to any procedural matter relating to the Insolvency Proceeding.
- (b) If the issue of the proper jurisdiction of either Court to determine an issue is raised by any interested party in either of the Insolvency Proceedings with respect to any relief sought in either Court, either Court may consult with the other Court to determine an appropriate process by which the issue of jurisdiction will be determined.
- (c) The Courts may, but are not obligated to, coordinate activities in the Insolvency Proceedings such that the subject matter of any particular action, suit, request, application, contested matter or other proceeding is determined in a single Court.
- (d) The U.S. Court and Canadian Court may conduct joint hearings (each, a "Joint Hearing") with respect to any matter in which both Courts consider such a Joint Hearing to be necessary or advisable. With respect to any such Joint Hearing, unless otherwise ordered by both Courts, the following procedures will be followed:
 - (i) a telephone or video link shall be established so that each Court will be able to simultaneously hear the proceedings in the other Court;
 - (ii) submissions, motions or applications (collectively, the "Pleadings") by any party that are or become the subject of a Joint

Hearing shall be made or filed initially only with the Court in which such party is appearing and seeking relief. Promptly after the scheduling of any Joint Hearing, the party submitting such Pleadings to one Court will file courtesy copies with the other Court. In any event, Pleadings seeking relief from both Courts shall be filed with both Courts;

- (iii) any party intending to rely on written evidentiary materials (collectively, the "Evidentiary Materials") in support of a submission to either Court in connection with any Joint Hearing will submit such Evidentiary Materials in identical form to each Court;
- (iv) if a party that has not previously appeared in or attorned to the jurisdiction of either Court, it shall be entitled to file Pleadings or Evidentiary Materials in connection with the Joint Hearing without, by the act of such filing alone, being deemed to have appeared in or attorned to the jurisdiction of such Court, so long as such party does not request any affirmative relief from such Court;
- (v) the Judge of the U.S. Court and Justice of the Canadian Court who will hear the Joint Hearing may communicate with each other in advance of such Joint Hearing, with or without counsel being present, to: (1) establish guidelines for the orderly submission of Pleadings, Evidentiary Materials and any other papers, and for the rendering of decisions; and (2) address any related procedural, administrative or preliminary matters; and
- (vi) the Judge of the U.S. Court and Justice of the Canadian Court who will hear the Joint Hearing may communicate with each other after such Joint Hearing, with or without counsel being present, for the purposes of: (1) determining whether consistent rulings can be made by both Courts; (2) coordinating the terms of the Courts' respective rulings; and (3) addressing any related procedural or administrative matters.

11. Notwithstanding the terms of paragraph 10 above, this Protocol recognizes that the U.S. Court and Canadian Court are independent courts. Accordingly, although the Courts will seek to cooperate and coordinate with each other in good faith, each of the Courts shall be entitled at all times to exercise its independent jurisdiction and authority with respect to:

(i) matters presented to and properly before such Court; and (ii) the conduct of the parties appearing in such matters.

12. If one Court has jurisdiction over a matter, the determination of which requires the application of the law of the jurisdiction of the other Court, such Court may, without limitation, hear expert evidence of such law or seek the written advice of the other Court, which advice will be made available to all parties in interest.

Recognition of Stays of Proceedings

13. The Canadian Court hereby recognizes the validity of the stay of proceedings and actions against or respecting the Debtors and their property under section 362 of the Bankruptcy Code (the "U.S. Stay"). In implementing the terms of this paragraph, the Canadian Court may consult with the U.S. Court regarding: (i) the interpretation, extent, scope and applicability of the U.S. Stay and any orders of the U.S. Court modifying or granting relief from the U.S. Stay; and (ii) the enforcement of the U.S. Stay in Canada.

14. The U.S. Court hereby recognizes the validity of the Canadian Order and the stay of proceedings and actions against or respecting the Debtors and their property under the CCAA and Canadian Order (the "Canadian Stay"). In implementing the terms of this paragraph, the U.S. Court may consult with the Canadian Court regarding: (i) the interpretation, extent, scope and applicability of the Canadian Stay and any orders of the Canadian Court modifying or granting relief from the Canadian Stay; and (ii) the enforcement of the Canadian Stay in the United States.

15. Nothing contained herein shall affect or limit the Debtors' or other parties' rights to assert the applicability or nonapplicability of the U.S. Stay or the Canadian Stay to any particular proceeding, property, asset, activity or other matter, wherever pending or located.

Rights to Appear and Be Heard

16. The Debtors, their creditors, the Monitor, and other interested parties in the Insolvency Proceedings, including, without limitation, the Committee and the Representatives, shall have the right and standing: (i) to appear and to be heard in either the U.S. Court or Canadian Court in the Chapter 11 Cases or Canadian Proceedings, respectively, to the same extent as creditors and other interested parties domiciled in the forum country, subject to any local rules or regulations generally applicable to all parties appearing in the forum; and (ii) to file notices of appearance or other papers with the clerk of the U.S. Court or the Canadian Court in respect of the Chapter 11 Cases or Canadian Proceedings, respectively; provided, however, that any appearance or filing may subject a creditor or interested party to the jurisdiction of the Court in which the appearance or filing occurs; provided further, that an appearance by the Committee in the Canadian Proceedings shall not form a basis for personal jurisdiction in Canada over the members of the Committee. Notwithstanding the foregoing, and in accordance with the policies set forth above: (i) the Canadian Court shall have jurisdiction over the U.S. Representatives (as defined below) solely with respect to the particular matters as to which the U.S. Representatives appear before the Canadian Court; and (ii) the U.S. Court shall have jurisdiction over the Canadian Representatives (as defined below) solely with respect to the particular matters as to which the Canadian Representatives appear before the U.S. Court.

Retention and Compensation of Representatives and Professionals

17. The Monitor Parties (as defined below) and any other estate representatives appointed in the Canadian Proceedings including their Canadian or U.S. counsel and any other professionals retained therefor (collectively, the "Canadian Representatives") shall (subject to paragraph 16) be subject to the sole and exclusive jurisdiction of the Canadian Court

with respect to all matters including: (i) the Canadian Representatives' tenure in office; (ii) the retention and compensation of the Canadian Representatives; (iii) the Canadian Representatives' liability, if any, to any person or entity, including the Debtors and any third parties, in connection with the Insolvency Proceedings; and (iv) the hearing and determination of any other matters relating to the Canadian Representatives arising in the Canadian Proceedings under the CCAA or other applicable Canadian law. The Canadian Representatives shall not be required to seek approval of their retention in the U.S. Court. Additionally, the Canadian Representatives (a) shall be compensated for their services to the Debtors solely in accordance with the CCAA, the CCAA Order and other applicable laws of Canada or orders of the Canadian Court and (b) shall not be required to seek approval of their compensation in the U.S. Court.

18. The Monitor and its respective officers, directors, employees, counsel and agents, wherever located (collectively, the "Monitor Parties"), shall be entitled to the same protections and immunities in the United States as those granted to them under the CCAA and the CCAA Order. In particular, except as otherwise provided in any subsequent order entered in the Canadian Proceedings, the Monitor Parties shall incur no liability or obligations as a result of the CCAA Order, the appointment of the Monitor, the carrying out of its duties or the provisions of the CCAA and the CCAA Order by the Monitor Parties, except any such liability arising from actions of the Monitor Parties constituting gross negligence or wilful misconduct.

19. Any estate representative appointed in the Chapter 11 Cases, including any official committee appointed pursuant to section 1102 of the Bankruptcy Code and including any U.S. and Canadian counsel and any other professionals retained by such committee, or any examiner or trustee appointed pursuant to section 1104 of the Bankruptcy Code (collectively, the "U.S. Representatives") shall (subject to paragraph 16) be subject to the sole and exclusive

jurisdiction of the U.S. Court with respect to all matters, including: (i) the U.S. Representatives' appointment and tenure in office; (ii) the compensation and reimbursement of out-of-pocket costs of the U.S. Representative; (iii) the U.S. Representatives' liability, if any, to any person or entity, including the Debtors and any third parties, in connection with the Insolvency Proceedings; and (iv) the hearing and determination of any other matters relating to the U.S. Representatives arising in the Chapter 11 Cases under the Bankruptcy Code or other applicable laws of the United States. The U.S. Representatives, their counsel and any other professionals retained therefor shall not be required to seek approval of their retention in the Canadian Court. Additionally, the U.S. Representatives (i) shall be compensated for their services solely in accordance with the Bankruptcy Code and other applicable laws of the United States or orders of the U.S. Court, and (ii) shall not be required to seek approval of their compensation in the Canadian Court.

20. Any professionals retained by or with the approval of the CCAA Debtors (collectively, the "Canadian Professionals"), shall be subject to the sole and exclusive jurisdiction of the Canadian Court, provided that they are not paid by the U.S. Debtors. Accordingly, the Canadian Professionals (i) shall be subject to the procedures and standards for the retention and compensation applicable in the Canadian Court with respect to services performed on behalf of the CCAA Debtors, and (ii) shall not be required to seek approval of their retention or compensation in the U.S. Court.

21. Any professionals retained by the U.S. Debtors and any professionals retained by the Committee (collectively, the "U.S. Professionals") shall be subject to the sole and exclusive jurisdiction of the U.S. Court. Accordingly, the U.S. Professionals (i) shall be subject to the procedures and standards for retention and compensation applicable in the U.S. Court

under the Bankruptcy Code and any other applicable laws of the United States or orders of the U.S. Court, and (ii) shall not be required to seek approval of their retention or compensation in the Canadian Court with respect to services provided on behalf of the U.S. Debtors.

Notice

22. Notice of any Pleading or paper filed in one or both of the Insolvency Proceedings involving or related to matters addressed by this Protocol and notice of any related hearings or other proceedings shall be given by appropriate means (including, where circumstances warrant and if permitted by the applicable Court, by courier, facsimile and email) to the following: (i) all creditors and other interested parties, in accordance with the practice of the jurisdiction where the papers are filed or the proceedings are to occur; and (ii) to the extent not otherwise entitled to receive notice under clause (i) of this paragraph, to counsel for (a) the Debtors, (b) the Monitor, (c) the U.S. Trustee, (d) the Committee, (e) counsel for the agent under any debtor-in-possession financing facility approved by the Courts, (f) counsel for the agent under the securitization facility; and (g) such other parties as may be designated by either of the Courts from time to time. Notice in accordance with this paragraph shall be given by the party otherwise responsible for effecting notice in the jurisdiction where the underlying papers are filed or the proceedings are to occur. In addition to the foregoing, upon request by either Court, the Monitor in the Canadian Proceedings and the Debtors in the Chapter 11 Cases shall provide to the U.S. Court or the Canadian Court, as the case may be, copies of all or any orders, decisions, opinions or similar papers issued by the other Court in the Insolvency Proceedings.

Effectiveness; Modification

23. This Protocol shall become effective only upon its approval by both the U.S. Court and the Canadian Court.

24. This Protocol may not be supplemented, modified, terminated or replaced in any manner except upon the approval of both the U.S. Court and the Canadian Court after notice and a hearing. Notice of any legal proceeding to supplement, modify, terminate or replace this Protocol shall be given in accordance with paragraph 22 above.

Procedure for Resolving Disputes under the Protocol

25. Disputes relating to the terms, intent or application of this Protocol may be addressed by interested parties to either the U.S. Court, the Canadian Court or both Courts upon notice in accordance with paragraph 22 above. In rendering a determination in any such dispute, the Court to which the issue is addressed: (i) shall consult with the other Court; and (ii) may, in its sole and exclusive discretion, either: (a) render a binding decision after such consultation, (b) defer to the determination of the other Court by transferring the matter, in whole or in part, to such other Court, or (c) seek a Joint Hearing of both Courts in accordance with paragraph 10. Notwithstanding the foregoing, in making a determination under this paragraph, each Court shall give due consideration to the independence, comity and inherent jurisdiction of the other Court established under existing law.

26. In implementing the terms of the Protocol, the U.S. Court and the Canadian Court may, in their sole, respective discretion, provide advice or guidance to each other with respect to legal issues in accordance with the following procedures:

- (a) the U.S. Court or the Canadian Court, as applicable, may determine that such advice or guidance is appropriate under the circumstances;
- (b) the Court issuing such advice or guidance shall provide it to the other Court in writing;
- (c) copies of such written advice or guidance shall be served by the applicable Court in accordance with paragraph 22 above;
- (d) the Courts may jointly decide to invite the Debtors, the Committee, the Representatives, the U.S. Trustee, the Monitor and any other affected or interested party to make submissions to the appropriate Court in response

to or in connection with any written advice or guidance received from the other Court; and

- (e) for clarity, the provisions of this paragraph shall not be construed to restrict the ability of either the U.S. Court or Canadian Court to confer as provided in paragraph 10 above.

Preservation of Rights

27. Except as specifically provided herein, neither the terms of this Protocol nor any actions taken under this Protocol shall: (i) prejudice or affect the powers, rights, claims and defenses of the Debtors and their respective estates, the Committee, the Representatives, the U.S. Trustee, the Monitor or any of the Debtors' creditors under applicable law, including, without limitation, the Bankruptcy Code, the CCAA and the orders of the Courts; or (ii) preclude or prejudice the rights of any person to assert or pursue such person's substantive rights against any other person under the applicable laws of Canada or the United States.