Expert Report of John Tittle, Jr. Regarding AbitibiBowater Inc., *et al.*

Bankruptcy Case Number 09-11296 (KJC)

Valuation Date: as of June 30, 2010

Report Date: July 2, 2010

John Tittle, Jr., CPA/CFF, CTP, CIRA, CDBV
Principal, NHB Advisors, Inc.

NHB ADVISORS

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July 2, 2010

Jason Cornell, Esquire
Fox Rothschild LLP
919 N. Market Street, Suite 1300
P.O. Box 2323
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Dear Mr. Cornell:

I am John Tittle, Jr., a Principal with NHB Advisors, Inc. ("NHB"), with a business address of Chrysler Building, 405 Lexington Avenue, 26th Floor, New York, NY 10174. Relative to AbitibiBowater Inc. together with its subsidiaries (the "Company") and its affiliated debtors and debtors-in-possession (each a "Debtor" and collectively, the "Debtors")[1] in the jointly administered Chapter 11 Cases (the "US Cases") under the United States Bankruptcy Code (the "Bankruptcy Code"),[2] and its First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Plan") and the Disclosure Statement for the Plan (the "Disclosure Statement"), both dated May 24, 2010, you have requested that I render my opinion (the "Opinion"), as of June 30, 2010 (the "Valuation Date") with respect to (i) the fair market value[3] of the Debtors'

[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] Jointly administered by the United States Bankruptcy Court for the District of Delaware (the "Court") under case number 09-11296 (KJC).

[3] Fair market value ("Fair Market Value") is the standard of value used herein and is defined according to Internal Revenue Service ("IRS") Ruling 59-60 and Treasury Regulation §20.2031-1(b) as: "The price at which property

assets (the "Assets"), (ii) the value of non-equity claims against the Fair Market Value of Assets ("Non-Equity Claims"), and (iii) the indicative value to shareholders after applying the Non-Equity Claims to the Fair Market Value of Assets (the "Equity Value") as well as to express the Opinion in an expert report pursuant to Rule 26 of the Federal Rules of Civil Procedure (the "Valuation Report"). I, and NHB professionals under my direct supervision and control, therefore "we," render the Opinion in this Valuation Report.

Our opinions are based on our investigation and analysis of the Debtors' historical and projected financial performance. Our work in connection with the Valuation Report also included review and analysis of relevant industry data and certain authoritative information. Although our study is based upon the currently available records, and we are in a position to render our opinions at this time based upon such information, our work is ongoing. Accordingly, we reserve the right to revise or expand our expert opinions to reflect any additional opinions we may formulate based upon newly acquired information or arising from reflection and reconsideration of the opinions based upon views expressed by other expert witnesses, if any, and upon further study and information.

As a brief introduction, I have over 30 years of accounting and financial experience, including having my own firms as well as serving as a partner with one of the Big Four accounting firms. I have also taken a company public and served as its Chief Financial Officer, Treasurer, Board member, and Audit Committee member. My area of special emphasis involves rendering bankruptcy advisory/reorganization services on behalf of stakeholders in the bankruptcy/turnaround arena. I have also been retained over the years in numerous cases in which I had to opine and render testimony relative to accounting and financial issues, damage calculation matters, valuation and solvency issues, and other adversary proceedings in a bankruptcy context. I have gained extensive experience in reorganization activities, bankruptcies, turnaround engagements, valuation, and corporate finance since the mid-1980s. In these assignments, I have served in the capac-

would change hands between a willing buyer and willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts."

ities of financial advisor, accountant, and consultant and, in the case of numerous acquisition transactions, was involved as a principal.

I have led bankruptcy advisory service engagements for debtors, committees of unsecured creditors, and secured lenders. Prior to joining NHB, I led the Southwest Region for XRoads Solutions Group, LLC and the Reorganization Services practice in the Mid-America Region as a partner for Deloitte. I have also served as a Director in the Financial Advisory Services practice of Price Waterhouse.

I am a Certified Public Accountant, a Certified Insolvency and Restructuring Advisor, a Certified Turnaround Professional, and hold the Certified in Financial Forensics designation from the American Institute of Certified Public Accountants and the Certification in Distressed Business Valuation from the Association of Insolvency and Restructuring Advisors. Moreover, I am currently a member of the American Institute of CPAs, the Association of Insolvency and Restructuring Advisors, the Texas Society of CPAs, the Turnaround Management Association, and the American Bankruptcy Institute. I am a Century Council Member of the American Bankruptcy Institute and currently serve on the Executive Committee, having served on its Board of Directors since 2002.

A *curriculum vitae* that details my experience and qualifications and a list of my testimony experience in the prior four years are attached hereto in the Appendices to this Report and are hereby incorporated by reference herein.

Respectfully submitted,

John Tittle, Jr.

John Tittle, Jr., CPA/CFF, CTP, CIRA, CDBV
Principal
NHB Advisors, Inc.

BACKGROUND

Introduction

AbitibiBowater Inc. ("ABH") is incorporated in Delaware and headquartered in Montreal, Quebec. The Company is the world's largest producer of newsprint by capacity and one of the largest publicly traded forest products company in the world. Employing approximately 11,900 people, the Company realized sales of approximately $4.4 billion in 2009. Its total assets and liabilities were asserted as approximately $7.0 billion and $9.5 billion, respectively, as of March 31, 2010. Through its subsidiaries, ABH manufactures newsprint, coated and specialty papers, market pulp and wood products. The Company operates pulp and paper manufacturing facilities in Canada, the United States and South Korea and wood products facilities in Canada.

The Company manufactures approximately six million metric tons annually of a broad range of mechanical-based printing papers – newsprint, coated mechanical and mechanical specialty papers. These products are sold to leading publishers, commercial printers and advertisers. The Company also sells pulp that is not used in the production of its newsprint, coated and specialty printing papers to paper, tissue and toweling manufacturers who do not have a sufficient supply of pulp for their own needs. It is involved in the recovery of old paper, which fulfills part of the Company's recycled fiber needs. The Company also operates sawmills that can produce approximately three billion board feet of lumber annually and provide a source of residual wood chips that it uses to manufacture pulp and paper. It also operates remanufacturing and engineered wood facilities. The Company's wood products are sold to a diversified group of customers, including large retailers, buying groups, distributors, wholesalers and industrial accounts.

To produce the Company's pulp and paper products, the Company owned or operated, as of March 31, 2009 and excluding facilities it had permanently closed as of such date, 22 pulp and paper mills, 20 of which are located in eastern North America. Mills outside of eastern North America included a newsprint mill in the state of Washington for which the Company is the managing partner and a newsprint mill in South Korea that provides access to the growing Asian markets.

The Company's North American manufacturing facilities are located near key domestic markets and many have access to export markets. They are supported by approximately 44 million acres of timberland. The Company owns or leases 54,000 acres of timberlands in the southeastern United States and approximately 425,000 acres in Canada and the balance of approximately 43.1 million acres is under long-term cutting rights on government owned land in Canada.

ABH was created by the combination of two North American leaders in the forest and wood products industry, Bowater Incorporated ("Bowater") and Abitibi-Consolidated Inc. ("ACI"). Specifically, on October 29, 2007, pursuant to a combination agreement and plan of merger dated as of January 29, 2007, ACI and Bowater combined (the "Merger") in an all-stock merger of equals to create ABH. The Merger was effected under both Delaware law and pursuant to section 192 of the Canada Business Corporations Act.

Since the Merger, as a general matter, Bowater and its former subsidiaries (the "Bowater Companies") and ACI and its former subsidiaries (the "Abitibi/D-Corp Companies") have retained distinct identities within the corporate enterprise for cash flow and finance purposes. The Debtors assert that both groups maintain separate accounting systems capable of tracking cash flows within the Abitibi/D-Corp Companies and Bowater Companies, respectively.

Operationally, however, the Abitibi/D-Corp Companies' and Bowater Companies' interests are united in an integrated and co-dependent business relationship. The Company asserted that it has realized meaningful efficiencies from the Merger and continues to rationalize its operations. Thus, for example, a centralized sales team sells products manufactured at any of the Company's North American facilities on behalf of the entire Company. Similarly, a centralized procurement and logistics team supports the Company's manufacturing and shipping and warehousing needs.

ABH itself functions as a holding company with no independent operations. It principally conducts its business through four direct subsidiaries: Bowater, Bowater Newsprint South LLC ("Newsprint South"), ACI, and AbitibiBowater U.S. Holding LLC ("U.S. Holding"). Bowater and its former subsidiary, Newsprint South, and their direct and indirect subsidiaries, including Bowater Canadian Forest Products Inc. ("BCFPI"), make up the Bowater Companies, the historic Bowater operations. U.S. Holding functions as the holding company for Donohue Corporation

("Donohue") and Donohue's direct and indirect subsidiaries (collectively, the "Donohue Group"), together with ACI and its direct and indirect subsidiaries, make up the Abitibi/D-Corp Companies.

The Debtors assert that their inability to repay or refinance significant indebtedness with impending maturities was a critical factor that necessitated the commencement of the Chapter 11 Cases and associated proceedings under the Canadian *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 (the "CCAA Proceedings")[4]. Notably, the Debtors assert that certain November 2008 amendments to the Bowater Secured Bank Documents restricted the Company's liquidity by significantly reducing available funds. Coupled with the lack of liquidity in the markets generally, the Company's indebtedness rendered it vulnerable to adverse economic and industry conditions, impaired its ability to obtain additional financing, required it to dedicate a substantial portion of cash flow from operations to service debt, and otherwise limited its flexibility in planning and responding to business drivers.

The Debtors assert that as a result of the above factors, by the beginning of 2009, the Company's liquidity positions were severely constrained. To address the Company's tightening liquidity, on February 9, 2009, the Company announced the commencement of private offers to exchange certain outstanding series of unsecured notes issued by Bowater and one of its wholly-owned subsidiaries for new secured notes to be issued by an indirect subsidiary of ABH, as well as a concurrent debt offering (the "Bowater Exchange Offer"). Shortly thereafter, on March 13, 2009, the Company commenced a debt recapitalization plan for the Abitibi/D-Corp Company's Canadian companies pursuant to the Canada Business Corporations Act. At the same time, the Company announced that Abitibi-Consolidated Company of Canada ("ACCC") and an unaffiliated third party signed a letter of intent in connection with the sale of ACCC's 60% interest in the Manicouagan Power Company ("MPCo") for gross proceeds of Cdn$615 million.

4 For further information about the CCAA Proceedings, refer to the filing by certain Debtors and their affiliates of the First Amended Plan of Reorganization and Compromise (the "CCAA Plan") and the associated Notice of Meeting and Information Circular (the "CCAA Disclosure Statement").

The Company was unable to successfully complete the Bowater Exchange Offer. The Debtors assert that as a result, the Abitibi/D-Corp Companies' recapitalization, which was contingent on a successful Bowater Exchange Offer, could not be consummated, and the Company had no other option but to seek protection under the Bankruptcy Code and the CCAA.

The Debtors filed the Plan on May 24, 2010. On June 22, 2010, the Debtors motioned to begin mailing on July 15, 2010 a solicitation package ("Solicitation Package") to creditors entitled to vote. The Solicitation Package will include ballots ("Ballots") allowing recipients to vote on whether to accept or reject the Plan. The Debtors have motioned that all Ballots must be returned to an authorized agent no later than 4:00pm (ET) on August 23, 2010.

Statement of Assignment

We prepared the Valuation Report as of the Valuation Date to determine and document (i) the fair market value of the Debtors' Assets, (ii) the value of Non-Equity Claims, and (iii) the indicative Equity Value (collectively, the "Intended Purpose").

In preparing the Valuation Report, NHB:

- reviewed the Debtors' historical financial performance, publically disclosed business plans and forecasts, and other financial information;
- analyzed information regarding publicly traded companies that may have operations and/or product demand that is comparable to that of the Debtors;
- analyzed merger and acquisition transactions whereby the target of such transactions may involve companies with operations that is comparable to that of the Debtors;
- reviewed and analyzed the filings and associated documents in the US Cases and CCAA Proceedings;
- determined claim amounts and their treatment under the Plan and presented the results for illustrative purposes, subject to substantial and additional due diligence analysis; and
- performed other such investigations and analyses as deemed necessary.

In preparing the Valuation Report, NHB did not:

- validate all potentially accretive sources of Equity Value as indicated within this Opinion;
- validate specific assertions within the Plan as referenced in this Opinion;
- determine with absolute certainty that Potentially Valid Non-Equity Claims were valid or that their total value was correct as described in this Opinion;
- have enough data to assess the reasonableness of the Debtors' financial projections;
- opine on the value of the Income Tax Receivable asset and recognizes that further analysis and review is required to do so;
- opine on the value of Investments in Subsidiaries and recognizes that further analysis and review is required to do so;
- in its assessment of Non-Equity Claims, have sufficient data to fully analyze specific aspects of the Non-Equity Claims, opine as to whether any specific asserted claim is of a correct amount, or whether a specific claim has been applied appropriately and is treated property under the Plan;
- assert that its estimation of Potential Claims is correct; or
- assert the validity of any specific claim, opine as to whether any specific asserted claims is of a correct amount, or whether a specific claim has been applied properly and is treated appropriately under the Plan.

Intended Use

The Valuation Report is intended for use in connection with the Intended Purpose and no other purpose is intended or should be inferred. It is valid only for the Valuation Date. The procedures contained within this Valuation Report did not constitute an audit in accordance with generally accepted auditing standards. Had an audit been performed in accordance with generally accepted auditing standards, additional information may have been discovered which could have resulted in a modification to the conclusions contained herein. The Valuation Report, or portions thereof, may not be referred to or distributed to any other persons or entities without NHB's prior written consent. The Valuation Report may not be referred to or quoted, in whole or in part, in any registration statement, prospectus, public filing, loan agreement or other agreement or documents without NHB's prior written consent. Any distribution of the Valuation Report may require additional work by NHB before such distribution can occur.

NHB's work is based upon currently available records. In the event that new information is made available, NHB reserves the right to revise or expand the Valuation Report based upon newly acquired information or upon the reflection and reconsideration of the opinions based upon views expressed by other expert witnesses, if any, and upon further study and information.

METHODOLOGY

Overview of the Fair Market Valuation

The first part of the Intended Purpose requires a determination of the Fair Market Value of the Debtors' Assets. The techniques for determining the value of an ongoing business entity or asset can be categorized into three distinct approaches: the income, market, and cost approaches. Within these approaches, valuation analysts will use one or more methods when valuing businesses. The objective of using more than one methodology is to develop mutually supporting evidence as to the valuation conclusion. Unless otherwise indicated, NHB has applied all methodologies to determine Fair Market Value using the Going Concern Premise of value.

NHB also considered a Liquidation Analysis to determine the value of the assets of the Debtors as of the Valuation Date on a forced liquidation basis.

The following sections contain a brief overview of the specific methodologies we applied in our analyses.

Market Approach

In the Market Approach, recent sales and listings of comparable assets are gathered and analyzed. If necessary, adjustments are then applied to these observations to recognize differences in characteristics between the subject assets and the comparable assets, so as to indicate a value for the subject asset. Typically, several methods are considered under the Market Approach, as noted here:

Guideline Company Method

In the Guideline Company Method, the Fair Market Value of assets is determined using comparable firms that are publicly traded on organized capital markets. An appropriate sample of comparable firms is selected based on reasonable comparability criteria; ideally, guideline companies are in the same industry as the subject company. However, if appropriate guideline companies are not available in the same industry, it may be necessary to consider other companies with similar characteristics, such as comparable products, product markets, growth, and cyclical variability.

A value indicator or pricing multiple (a "Multiple") is then calculated. Multiples typically measure the market value of equity or enterprise value ("Enterprise Value"), where Enterprise Value represents the market value of equity plus net debt (i.e. debt less cash and equivalents). The selected Multiple should be relevant to the subject company and the type of valuation. For example, if the Fair Market Value of assets is being valued, then multiples which measure standalone equity value, such as a price-to-earnings multiple, are not applicable. Similarly, the Multiple should reflect a reasonable (if not industry accepted) accounting metric. For example, if the firm's revenues are highly correlated to a volatile commodity product where the cost of the commodity is easily passed onto customers, then and a multiple of Enterprise Value-to-Revenue would not likely be relevant. The Multiple is applied to the corresponding financial results or projections of the subject company in order to provide an indication of its value, on a non-controlling, marketable basis.

Guideline Transaction Method

The Guideline Transaction Method consists of conducting a search for transactions of comparable companies in the industry. Selected transactions should involve a subject company (i.e. the target of the transaction) that is comparable as described under the Guideline Company Method. An analysis similar to that conducted in the Guideline Company Method is performed to select an appropriate Multiple using the transaction value to measure Enterprise Value (or equity value). The collective multiples are then applied to the appropriate financial data of the subject company, in order to derive an estimate of the subject company's Fair Market Value on a controlling interest basis.

Income Approach

The Income Approach is based on the premise that the Fair Market Value of assets is the present value of the future earnings (cash flows) that are available for distribution to both equity and debt investors of the business. Assumptions used under the Income Approach follow.

Calculating Available Free Cash Flow

The most common application of the Income Approach involves discounting the free cash flows available to equity shareholders and debt lenders that could be paid out to the capital holders without impairment of business operations ("Free Cash Flow"). The considered Free Cash Flow is cash flow from assets, before any debt payments but after the firm has reinvested in growth opportunities. Algebraically, free cash flow is defined as follows:

Free Cash Flow =		Net income before interest and taxes	(1)
	–	Provisions for income taxes	
	+	Non-cash expenses (e.g., depreciation), net of non-cash income	
	–	Incremental working capital requirements	
	–	Capital expenditures, net of cash raised from capital disposals	

The cash flow is projected over a discrete period by management, typically for a period of three to five years. Projections beyond five years are less reliable due to a greater uncertainty that management will meet such projections. The final year of management's projections is the "Terminal Year" and is the basis for calculating value beyond the projection period (the "Terminal Value").

Calculating the Terminal Value

Terminal Value is calculated using one of two common approaches.

Gordon Growth Model

The first approach of calculating the Terminal Value uses the "Gordon Growth Model," which assumes that Free Cash Flow grows at a constant rate in perpetuity.[5] If the subject company is expected to experience varied grow rates of its Free Cash Flow after the Terminal Year, it is possible to apply a series of discrete annual growth rates under this approach. The formula for calculating the Terminal Value using the Gordon Growth Model follows:

$$TV_n = \frac{FCF_{n+1}}{(K-G)} \qquad (2)$$

where,

FCF_{n+1} = estimated Free Cash Flow in the following the Terminal Year
K = a company-specific discount rate (see discussion of WACC below)
G = the assumed rate at which Free Cash Flows will grow forever (i.e. in perpetuity)

Exit Multiples

An alternative to the Gordon Growth Approach uses "Exit Multiples" to approximate the future value that could be achieved if owners of capital could sell the firm by multiplying a meaningful accounting metric by the Exit Multiple. The Exit Multiples are selected based on findings from the Market Approach (described above). As with the Multiples used in the Market Approach, the value measure and metrics underlying the Exit Multiple must be relevant to the subject company being valued.

[5] The *Gordon Growth Model* is also sometimes referred to as the *Perpetuity Growth Model* because John Burr Williams wrote about the approach before Myron Gordon.

Discounting Future Cash Flows to the Present Value

Weighted Average Cost of Capital

Both the Free Cash Flow and Terminal Value are future values that must be discounted to the date of the valuation (i.e., the present value). The concept of discounting cash flows reflects that future value is not certain and therefore must be risk adjusted using a discount rate. The discount rate should reflect the risk of the corresponding cash flows and is represented by a composite cost to the firm of raising both debt and equity financing, in proportion to their use. The industry standard approach for discounting cash flows is the weighted average cost of capital ("WACC") and is represented by the following formula:

$$\text{WACC} = \left(\left(1-w\right)k_L\right)+\left(w\cdot r\left(1-T\right)\right) \tag{3}$$

where,

w = ratio of the market value of a firm's debt to the market value of its debt and equity
k_L = levered cost of equity capital
r = firm's cost of debt capital
T = firm's effective tax rate

The Free Cash Flow from projections and the Terminal Value are both discounted to the present value using a WACC. The assumptions and calculations underlying NHB's application of the discounted cash flow method are presented later in this report. Further descriptions of the components of WACC follow below.

Cost of Equity

The cost of equity ("CoE") discounts the Free Cash Flow available to equity investors of the subject firm. Equity is riskier than debt as claims to equity are subordinated to debt lenders and therefore the CoE should be higher than a firm's cost of debt. The Capital Asset Pricing Model is the most widely used model for estimating the CoE. Several variants of this model exist. The basic variation is a single-factor formula and is only valid under a set of restrictive assumptions, including that interest rates remain constant.[6] Furthermore, the single-factor formula best ex-

[6] See Fama, Eugene F. and Kenneth R. French, "Common Risk Factors in the Returns on Stocks and Bonds", *Journal of Financial Economics*, Vol. 33, No. 1, (February 1993), pp. 3-56.

plains the difference between average returns on equity securities and those of risk-free securities. Fama and French (1993) developed an improved three-factor model which better predicts expected returns than the single-factor model by adjusting the CoE for firm size and the ratio of book value of equity to market value of equity.[7] Unless otherwise specified, NHB has relied on the three-factor model ("CAPM") as follows:

$$k_L = r_f + \beta_L (r_{mp}) + s + \alpha \qquad (4)$$

where,

k_L	=	firm-specific leveraged cost of equity
r_f	=	risk-free rate of return
β_L	=	firm-specific, levered beta
r_{mp}	=	the market risk premium
s	=	the size premium
α	=	non-systemic risk

Unless otherwise stated, NHB uses the CoE to derive a specific WACC; the CoE is not used to discount standalone cash flows to equity. The leveraged beta can be derived by regressing the returns of the subject company's stock against benchmark, market returns. When valuing a privately held company or a company that has illiquid stock, it is common to assume an unlevered beta and then to "re-lever" the beta to reflect the after-tax debt leverage of the subject firm. The assumed unlevered beta should reflect a composite unlevered beta of comparable companies. The formula to re-lever the unlevered beta is:

$$\beta_L = \beta_U \left(1 + (1 - T)\left(\frac{w}{1 - w} \right) \right) \qquad (5)$$

where,

β_L	=	firm-specific, levered beta
β_U	=	the firm-specific, unlevered beta
T	=	firm's effective tax rate
w	=	ratio of the market value of a firm's debt to the market value of its debt and equity

7 Ibid.

Cost of Debt

The cost of debt ("CoD") reflects the cost to the firm of raising debt capital at a given time. The subject company's existing debt structure reflects a composite of borrowing rates historically, but is not necessarily indicative of the company's current or future CoD. In general, the CoD should reflect the existing risk-free rate plus a default risk premium specific to the subject company. The CoD used in the WACC is adjusted by the subject company's effective tax rate which accounts for value derived from the tax-saving effects of interest expense.

Capital Structure

The WACC weights the CoE and CoD proportionate to the market value of the subject firm's debt and equity. For a private company, one can estimate its existing capital structure using comparable companies. Unless the evidence supports otherwise, the subject company's long-term capital structure should reflect that of the industry average.

Cost Approach

A third approach to valuation is the cost approach. The discrete valuation of an asset using a cost approach is based upon the concept of replacement as an indicator of value. The cost approach establishes value based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional obsolescence, if present and measurable.

Liquidation Analysis

The Liquidation Analysis sets out to estimate the potential proceeds that may be generated from a forced liquidation. Under the approach, NHB assumed that all production and other operations would immediately stop following the Valuation Date. The Debtors would only retain staff required to liquidate the Debtors' assets.

The liquidation process includes generating proceeds by selling assets, recovering amounts due to the Debtors, and otherwise mitigating costs (e.g., recovering unused amounts associated with prepaid expenses). To estimate liquidation proceeds, NHB systematically reviewed each class of the Debtors' assets and ascribed a low- and high-end range of recovery estimates to each respective category of assets. These ranges were then applied to the Valuation Date book value of the assets to calculate the resulting liquidation proceeds. Finally, NHB deducted the cost of the liquidation process from the gross liquidation proceeds.

Assessment of Other Value Sources

The Fair Market Value of Assets should also include the value of future, but potentially contingent cash flows which are not reflected in the above calculations (i.e. the income, market, and cost approaches). NHB has analyzed such sources of value and documents its findings and limitations in the below section, Performed Analysis and Assumptions.

Assessment of Non-Equity Claims

In the second part of the Intended Purpose, NHB sets out to assess the Debtors' asserted value of Non-Equity Claims as described in the Plan. Due to the time and complexity of this task, NHB did not have sufficient information to validate whether individual Non-Equity Claims were valid. Instead, NHB reviewed publically available information, including documents filed with the Court, to identify documentation that could potentially support the Debtors' asserted value of Non-Equity Claims.

Unless otherwise noted, NHB only assumed that a Non-Equity Claim could potentially be valid ("Potentially Valid Non-Equity Claims") if it also found potential support for that asserted Non-Equity Claim. NHB assumed the value of Potentially Valid Non-Equity Claims in its analysis with an understanding that, pending further review and/or additional information, (i) such claims may not be valid pending further review or (ii) the total value of Potentially Valid Non-Equity Claims as outlined in this report may be different, if not significantly so.

Assessment of Indicative Equity Value

In the final part of the Intended Purpose, NHB calculated the indicative Equity Value, which equals the (i) Fair Market Value of the Debtors' Assets less (ii) the value of Potentially Valid Non-Equity Claims, plus (iii) the value of cash and equivalents as of the Valuation Date.

Other Pertinent Authoritative Methodology

Our work in this Matter, including any and all methods and procedures employed therein, was conducted in accordance with the general standards of the accounting profession contained in

Rule 201 of the American Institute of Certified Public Accountants Code of Professional Conduct ("AICPA Code"). These general standards provide that we have the education and experience necessary to complete this review, we use due professional care in the performance of this engagement, we adequately plan and supervise the performance of professional services, and we obtain sufficient relevant data to provide a reasonable basis for my opinion. Furthermore, we complied with specific standards that govern the work that Certified Public Accountants ("CPAs") perform in the litigation consulting services area of practice. These standards are set forth in Rule 202 of the AICPA Code under the Statement on Standards for Consulting Services No. 1 ("SSCS1"). Specific standards provided in the SSCS1 that apply to consulting engagements of this type include: serving the client interest while maintaining integrity and objectivity; establishing an understanding with the client about the responsibilities of the parties and the nature, objectives, and limitations of the services performed; and communicating with the client about any reservations concerning the scope of the engagement; possible conflicts of interest; and significant findings or events of the engagement. Additional guidance regarding these standards is found in Consulting Services Special Report 03-1. NHB also adheres to the Turnaround Management Association's Code of Ethics. Certain well-accepted valuation techniques were also employed in our analysis and formulation of our Opinion.

PERFORMED ANALYSIS AND ASSUMPTIONS

Overview

The following sections address NHB's assumptions and application of the methodologies described above in connection with the Intended Purpose. This determination requires a computation of (i) the fair market value of the Debtors' Assets, (ii) the value of Non-Equity Claims, and (iii) the indicative Equity Value.

The following sections outline NHB's application of the above-mentioned methodologies, where applicable.

Application of the Market Approach

The underlying principal of using the Market Approach is that the market's current valuation of comparable companies and/or transactions provides an indication of value for the subject company being valued. NHB spent considerable time searching for both comparable companies and comparable transactions and has identified several good candidates for comparison. Further details follow below. Further details follow below.

<u>Guideline Company Method</u>

In order to identify guideline companies, NHB researched 75 companies domiciled in the United States and Canada with SIC and NAICS codes relevant to those of the Company. NHB screened this initial set of candidates to assess which companies were comparable to the Company in terms of (i) comparable product offerings, (ii) exposure to comparable business markets, and (iii) comparable cost structures and operations. NHB identified seven companies that it assessed as being comparable as guideline companies.

NHB found that the market generally valued the identified guideline companies on a reasonably similar basis using EBITDA multiples. This was true on an LTM basis as well as a projected basis. Given that valuations are generally forward looking and that the Debtors are in the process of restructuring, NHB relied on the average 2011 EBITDA multiples for the guideline companies.

NHB's analysis of the forward looking multiples for the guideline companies resulted in a mean average multiples of 4.6x 2011 EBITDA (see Exhibit B1: Guideline Company Analysis). This multiple, applied to the Company's projected 2011 EBITDA (per the Plan), implies an Enterprise Value of $3,837 million.

<u>Guideline Transaction Method</u>

NHB also identified comparable transactions in related industries, focusing on companies within related industries.

Regarding the scope of its analysis, NHB reviewed transactions that were completed since 2007, when credit markets generally grew tight and financing acquisitions became increasingly challenging. NHB reviewed the following SIC industry categories in its consideration of guideline transactions:

321912 Cut Stock, Resawing Lumber, and Planing

321918 Other Millwork (including Flooring)

321999 All Other Miscellaneous Wood Product Manufacturing

322121 Paper (except Newsprint) Mill

322130 Paperboard Mills

323116 Manifold Business Forms Printing

After reviewing 30 transactions, five were selected as relevant for valuation of the Company.

Based on the analysis of these transactions, the mean average valuation multiples for the acquired companies are 3.0x LTM EBITDA (see Exhibit B2: Guideline Transaction Analysis). This multiple, applied to the Company's LTM EBITDA, implies an Enterprise Value of $945 million.

Income Approach

Analysis of Free Cash Flow to the Firm

Management Projections

NHB relied on the Debtors' financial projections as provided in the Plan (the "Financial Projections") to derive Free Cash Flows except as stated below. The Financial Projections start October 1, 2010 and end December 31, 2014 (the "Projection Period"). NHB did not have financial projections for the period of June 30, 2010 to September 30, 2010. In the absence of other data, NHB discounted the value of Free Cash Flows for the Projection Period (as well as the Terminal Value) to a present value as of the Valuation Date. This excludes the value of cash flows from the third quarter of 2010 and is therefore somewhat conservative relative to the valuations derived under the Market Approach.

NHB Assumptions

NHB did not have enough data to assess the reasonableness of the Financial Projections. In the absence of other data, NHB relied on the Debtors' Financial Projections, however, used its own valuation model to validate changes in cash flow. This process results in an independent calculation of the cash account. NHB's independent cash calculation was consistently in line with that of the Debtors throughout the Projected Period.

NHB's analysis of the Financial Projections is attached hereto and incorporated by reference herein as Exhibit B3: NHB Application of Financial Projections. NHB then used its derived Cash Flow Statement to quantify the Free Cash Flow to be discounted (see Exhibit B4(a): Calculation of Free Cash Flows to the Firm).

Calculation of the Terminal Value

Exit Multiples

NHB relied upon exit multiples to calculate the Terminal Value. As a starting point, NHB considered its findings that under the Guideline approach, exit multiples were as low as 3.0x to 3.8x LTM EBITDA (per both comparable companies and transactions) and upwards as high as forward-looking multiples of 4.4x to 4.7x 2011 EBITDA (per comparable company multiples). The Terminal Value, however, needs to reflect the potential valuation in 2014. To quantify the potential 2014 valuation multiple, NHB first assumed that we are likely at a low point in the valuation cycle (i.e. future valuation multiples are likely to higher than today). This assumption is reinforced by (i) the Financial Projections, which reflect steadily improving revenue and profitability throughout the Projection Period and (ii) the EBITDA multiples under the Guideline Company Approach, which reflect an 8.5% CAGR with respect to how the market values LTM EBTIDA versus 2011 EBITDA for the guideline companies. NHB assumed that the market will also value future earnings through 2014 with higher multiples as the economy improves. NHB analyzed the growth of EBITDA multiples through 2014 and determined that valuation multiples could be 6.0x 2014 EBITDA. The resulting core range of exit multiples used to derive the Terminal Value is 5.0x to 6.0x 2014 EBITDA with an extended, outlying range of 4.0x to 7.0x. In NHB's experience, this is a reasonable range of multiples for valuing the Terminal Value.

The resulting Terminal Value, as a percent of the calculated firm value under this approach, was no higher than 65%. In NHB's experience, the Terminal Value can often exceed 75 to 85% of total firm value, supporting the fact that NHB's assumptions have led to a reasonably conservative valuation opinion.

Calculation of the WACC

General Comments

Since the Lehman Brothers' bankruptcy filing and credit crisis that followed, the United States financial markets have entered a unique period. Under these unusual times, it is convenient to dismiss traditional valuation methods in favor of less objective measures, however, a careful application of traditional methods will still result in reasonable measures of risk and correspondingly accurate calculations of value.

A summary of NHB's WACC calculations and assumptions is provided in Exhibit B4(b): Discount Rate Calculation. NHB elaborates below regarding specific assumptions and applications related to the calculation of WACC rates.

Period-specific Discount Rates

The riskiness of the Company's Free Cash Flow will change over time due to two reasons: (i) the Debtor is expected to stabilize its operations over time reducing the riskiness of cash flows; and (ii) the overall economy is expected to stabilize over time, reverting to more normalized market indicators of risk. To account for both measures, NHB calculated a WACC for each period where Free Cash Flow was discounted as well as a long-term WACC for discounting the Terminal Value.

Capital Structure

As of the Valuation Date, the Debtors had a market capitalization of $6.0 million and asserted debt in excess of $7.0 billion. However, it is would be misleading to assume that the Debtors are 99% debt financed.[8] As a starting point for its calculations, NHB considered the Debtors' asser-

[8] The low market capitalization is not unlikely for a company undergoing a financial restructuring and is likely influenced by the Debtors' disclosures that current equity will be extinguished under the proposed Plan.

tion that its total assets would be worth $5.1 billion following the September 30, 2010 restructuring.[9] This implies the Debtors' assumption of how the "market" of constituents or parties-in-interest to its estate values the Debtors' Assets i.e., Debtors' assumption of the Fair Market Value of the Debtors' Assets. While NHB does not necessarily endorse this assumption, it is a starting point for considering the initial capital structure.

NHB assumed for the year-end 2010, initial debt was $2.0 billion.[10] This implies a market value of equity of $3.2 billion (i.e. the value of total assets less debt) and an initial capital structure that was 41.5% debt-financed in 2010. NHB's assumptions for Leverage in future periods are as follows:

(1) Terminal Year Leverage: assumed to be 45.5% based on NHB's analysis of the industry average leverage among selected Guideline Companies (see Exhibit B4(c): Industry Average Inputs to the WACC)

(2) 2010 to 2014: Leverage migrates towards the Terminal Year Leverage rate over the course of five years

Taxes

The Financial Projection indicated high taxes in 2010 relative to pre-tax earnings. NHB has assumed that this relates to the tax impact of gains on the early retirement of debt. Furthermore, NHB assumes that taxes are not higher than indicated in the Financial Projections because the Debtors benefit from a tax asset that exceeded $3.6 billion as of April 2010 and which will absorb most tax obligations on the early retirement of debt.

But for the tax effect of the Debtors' restructuring in 2010, the Debtors' effective tax rate would be 0%. Under a DCF Approach, the absence of taxes actually lowers a valuation. The reason for this that a company financed with debt benefits from a tax shield from interest expenses. This impact is tangible and represented by the (1-T) factor in the WACC formula. The absence of tax

9 Under NHB's model, the book value of Assets is $5.2 billion, which is not materially different.

10 For assumptions for this amount, see NHB's analysis of Non-Equity Claims.

eliminates this effect, raising the overall discount rate and subsequently lowering the resulting valuation.

Following 2010, NHB used the Debtors' assumptions for pre-tax income and provisions for taxes to calculate the implied effective tax rate through 2014. After 2014, NHB assumed the industry-average tax rate.

Cost of Debt

The Debtors' debt is publically-traded; however, the Debtors' plan to restructure much of this debt. To calculate the Debtors' CoD, NHB estimated the Debtors' future default risk for the Projection Period. Default risk can be measured by both credit ratings and a company's ability to service its debt, represented by the ratio of EBITDA-to-interest expense (the "Coverage Ratio"). Both measures are tracked and summarized in Exhibit B5: Calculation of Credit Default Risk. Using these indicators of default risk, NHB estimated the Company's implied Default Risk Spread. NHB added this spread to the risk-free rate to calculate the Debtors' CoD.

Cost of Equity

The following assumptions were used in calculating the periodic Cost of Equity ("CoE") for the Debtors:

- *risk-free rate:* derived from Treasury obligations with a duration matched to the duration of each discounting period, whereby NHB:
  (1) used Treasury Notes and Bonds which to estimate the risk free rate;
  (2) stripped coupon payments from the Treasury obligation to create a synthetic zero-coupon security;[11] and
  (3) extrapolated the implied, risk-free yield for each zero-coupon Treasury obligation.
- *unlevered beta*: NHB assumed that the unlevered beta of the Debtors was equal to that of the industry average unlevered beta as provided by the selected Guideline Companies.

[11] Coupons from any security, even a risk-free obligation, are not risk-free cash flows as they must be reinvested at uncertain rates. As such, it is best practice to "strip" these payments from risk-free securities

- *leveraged beta:* The unlevered beta described in the previous section was re-levered to reflect the Debtors' assumed leverage (and "effective tax rate") in each year of the analysis (per the assumptions defined earlier).
- *market-risk premium:* The market risk premium ("MRP") assumes the geometric average returns for the period of 1928 to 2009 based on the annual variance of the returns on the S&P 500 index versus US Treasury Bills (for the short-term MRP) and US Treasury Bonds (for the long-run MRP). The MRP used in this Opinion is provided in Exhibit B4(d): Market Risk Premium and is based on the following assumptions:
  (1) the geometric average returns for the period of 1928 to 2009 based on the annual variance of the returns on the S&P 500 index versus US Treasury Bills (for the short-term MRP) and US Treasury Bonds (for the long-run MRP);
  (2) 2010: an MRP of 5.50%;
  (3) 2011 to 2018: the MRP gradually migrates towards the 2019 MRP;
  (4) 2019 and thereafter: an MRP of 3.86%; and
  (5) An additional premium to the 2010 to 2012 MRPs due to the volatility and high-risk nature of the United States' equity markets since September 2008:
    (i) 2009: assumes a factor to increase the MRP to 6.00%, which is the high-end rate suggested in current professional literature;[12] and
    (ii) 2010 and 2011: assumes the risk-inflated MRP gradually migrates towards the 2012 MRP as the equity markets normalize (i.e. become less volatile).

Discounting of Free Cash Flows and the Terminal Value

As its final step, NHB discounted the cash flows in each period by its corresponding WACC. The Terminal Value was also discounted to the present value. NHB conducted a sensitivity of the range of valuations that occurred assuming a range of values for both the WACC and a range of exit multiples (see Exhibit B4(e): DCF Valuation). The purpose of calculating a range of values is to test the impact of changes to key assumptions on the valuation. The observed changes were reasonable, resulting in a valuation of the Fair Market Value of the assets that ranged from $5,008 million to $5,814 million.

[12] Source: Duff & Phelps *2009 Risk Premium Report*

Cost Approach

NHB did not have sufficient information to value the Fair Market Value of the Debtors' Assets using this approach.

Weighting of Ongoing Concern Valuation Approaches

NHB considered four valuation approaches used to calculate the value of the Sale Assets as on-going concerns: the two Guideline Approaches, the Income Approach, and the Cost Approach. As a final step in its valuation, NHB considered a weight for each of these approaches that assumed the Debtors as an ongoing concern. NHB's assigned its weightings as follows:

Approach	Weight	Rationale
▪ Guideline Companies	40%	Reasonable sample set with forward-looking multiples trading in a relatively tight valuation range
▪ Guideline Transactions	20%	Small sample size distorted by a reasonably high amount of variability in the range of multiples
▪ Income Approach	40%	Relies on projections provided by the Debtors in Possession, allows for year-by-year adjustments of risk
▪ Cost Approach	0%	No available data

NHB calculated the weighted average value of the four approaches and then added $450 million of assumed cash on hand as of the Valuation Date.[13] The resulting calculation is a Fair Market Valuation of Assets, before consideration for other value sources, ranging between $4,134 million and $4,543 million. Additional details can be found in Exhibit B: Fair Market Valuation of Assets Before Consideration of Other Value Sources.

Liquidation Analysis

NHB relied on the balance sheet for the April 30, 2010 Monthly Operating Report ("MOR") to calculate the estimated gross proceeds generated from a forced liquidation. The estimated recovery ranges represent NHB assumptions. Of particular note:

- NHB assumed little to no value from the $3.6 billion Income Tax Receivable with an as-

[13] NHB did not have projected cash for the Valuation Date but feels its assumption is conservative given that the April 30, 2010 MOR represents a cash balance of $445 million while the Plan provides projections that cash, just prior to the September 30, 2010 restructuring, will be $707 million.

sumption that value from this asset would be offset by tax liabilities resulting from the early retirement of debt; and

- Some or a significant portion of value from Investments in Subsidiaries may be ascribed to specific debt claims associated with these investments. This comment does not in any way alter NHB's calculation of the proceeds that could be generated from the liquidation process, but it does provide context for consideration in how the proceeds from the liquidation may be distributed.
- NHB assumed that the cost to liquidate the assets would range from 5% to 10% of the total asset value. This estimate is potentially high, but it errs to the side of providing a more conservative estimate of liquidation value.

NHB calculated that the net proceeds that could be derived from a liquidation of the Debtors' Assets, before consideration of other value sources, ranged from $6,445 to $12,319 million. Details of NHB's Liquidation Analysis and the employed assumptions can be found in Exhibit C: Liquidation Analysis.

Assessment of Other Value Sources

NHB examined additional sources of value that could be accretive to the Fair Market of the Debtors Assets. Potentially significant sources of additional value are discussed below.

Law Suit

In December 2008, ABH announced its intention to shut down the Grand Falls mill in Newfoundland and Labrador its last in the province. Shortly thereafter, the provincial government passed the Abitibi-Consolidated Rights and Assets Act. According to ABH, the retaliatory legislation confiscated most of its assets in the province, including land rights, timber rights and water rights. ABH recorded a $256 million extraordinary loss on its year-end, 2008 Income Statement. Following the expropriation, the government filed a claim seeking $200 million from the ABH for the cleanup costs of several properties.

On April 2, 2010, the Quebec Superior Court stayed this legal action. Judge Clément Gascon said the province and ABH, need to find another "appropriate forum" to settle the dispute.[14] It is NHB's current understanding that the government has not indicated how it plans to proceed following the decision.

Furthermore, ABH contends that the expropriation of its assets was illegal and in violation of the North American Free Trade Agreement. In February, 2010 the company launched a $500 million lawsuit seeking compensation for damages.

NHB believes these latest developments are positive for the Debtors with respect to (i) potentially avoiding part or all of the above-mentioned, $200 million claim and (ii) potentially receiving damages associated with asserted, allegedly wrongful actions of the defendant(s) in ABH's counter-suit. If the Debtors were not involved in two separate bankruptcy proceedings, a development of this nature would likely be accretive to equity.[15] In the case of the Debtors, who have approximately 54 million outstanding shares, this could provide up to a $4/share impact. While an increase in the Debtors' share price is not likely to occur while it is in bankruptcy, there is nonetheless value that could accrete to the estate from these developments.

Inventory Analysis

NHB conducted a review of Debtors inventory and found potential discrepancies in value that may require further review. Specifically, NHB attempted to reconcile the implied value of inventory as documented in the 2009 Form 10-K filing with that documented in the December 2009 MOR. NHB found a variance where the data provided in the MOR was $76 million or 41% higher than that provided in the Form10-K filing (see Exhibit E: Inventory Analysis).

Perhaps more concerning is that the Debtor's 2009 Form 10-K filing reports that total inventory was $581 million. This is over 100% higher than inventory as reported in the MOR and 200%

[14] CBS News, April 2, 2010; www.cbc.ca/canada/newfoundland-labrador/story/2010/04/02/nl-abitibibowater-claim stayed.html

[15] For example, if it were suddenly made public that a public company was to receive new sources of cash, the share price of a company would increase by the market's expectation of the per-share allocation of potential recoveries. The same result could occur if the market learned that a public company would no longer be required to pay previously asserted and announced damages claims.

higher than NHB's estimated calculation of inventory using business-line data from the 2009 Form 10-K.

Union Negotiations

A majority of the Debtors' employees are represented by unions. Canadian union employees are members of the Communications, Energy, Paperworkers (CEP) Union of Canada while U.S. union employees are members of the United Steelworkers.

As part of its restructuring, the Debtors' recently negotiated labor deals that were voted on and accepted by the both unions. NHB understands that approximately 4,500 CEP members have accepted a 10% wage cut, with wage increases to resume in 2012 and 2013. In exchange, the company will to contribute CAN$500 million into a union-operated pension fund over the next ten years. United Steelworkers have agreed to an immediate 3% wage cut, but will recoup those cuts in 2012 and 2013.

NHB observes that it is unclear how these new provisions will be applied to new versus existing employees. In recent negotiations between unions and Debtors in Possession, the Debtors have benefited by negotiating that new hires will be excluded from certain benefits afforded to existing employees (e.g., GM's negotiations with the UAW).[16] If successful, the Debtors could achieve similar benefits from their negotiations.

Assessment of Non-Equity Claims

Introduction

In its assessment of Non-Equity Claims, we did not have sufficient data to fully analyze specific aspects of the Non-Equity Claims. NHB does not at this time validate any specific claim, opine as to whether any specific asserted claim is of a correct amount, or whether a specific claim has been treated property under the Plan. NHB did observe key issues related to how the claims were calculated, compiled, and are being treated under the Plan.

[16] When the GM renegotiated its contract in 2007, the UAW agreed to lower wages for incoming employees. As existing employees left or retired, they were replaced with a lower compensated workforce, saving the company up to $500 million per year. Along with other measures in the new contract, including a restructured health-care coverage strategy, total savings to GM are estimated at $2 - $3 billion per year.

Key Plan Provisions

Page 2 of the Plan indicates that:

> *"The Plan does not provide for the substantive consolidation of any of the Debtors' estates."*

The Plan also provides, in accordance with the Bankruptcy Code, an asserted determination of the Enterprise Value, which will affect distribution to creditors. It is noted in the Plan that:

> *"The Plan and CCAA Plan are premised upon a complete deconsolidation of the Company's legal entities subject to those proceedings. As such, the values of the individual Debtors and Applicants (as defined in the CCAA Plan) and the Allowed Claims/Proven Claims against such Debtors and Applicants may affect what is available for distribution to the creditors of each such entity."*[17]

NHB shall refer the above provided methodology as the "Waterfall Allocation Methodology."

Asserted Total Claims

The Debtors assert that total claims under the US Cases are $7,390 million ("Total Asserted Claims") as illustrated in Exhibit G: Total Asserted Claims. The Debtors assert that Class 1 claims through Class 5 claims are unimpaired but that Class 6 claims are impaired. The Debtors assert that the Class 6 claims are valued at $6,212 million. The Plan provides to Class 6 claims, in aggregate, an estimated recovery of $2,000 million or 32.2% of the asserted claim value. The Plan does not provide any value to any class(es) of claims or interests which are junior to Class 6 claims.

Attempted Validation of Waterfall Recovery

Given the key provision that the Plan does not provide for the substantive consolidation of any of the Debtors' estates, NHB's approach to assessing the Non-Equity Claims and the resulting Waterfall Recovery involves two steps:

[17] CCAA Plan: Plan of Reorganization and Compromise for the CCAA proceedings

1. Understanding the claims associated with each individual Debtor; and
2. Allocating value to each individual Debtor using the Waterfall Allocation Methodology.

For the first step and in the absence of other definitive information, NHB attempted to identify all potential claims that could arise against each individual Debtor ("Potential Claims") using SEC filings, Court docket records, and support from the Plan.[18] This information is summarized in Exhibit G2: Potential Claims. As mentioned earlier, NHB prepared this analysis with limited information and reserves the right to modify our conclusions as additional work is performed or information is received.

Next, NHB attempted to allocate Potential Claims to each individual Debtor (see Exhibit G3: Estimated Claims Allocation to Debtors). NHB estimated a number of Potential Claims were related to the Debtors asserted claim values. NHB refers to these claims as Potentially Valid Non-Equity Claims. This is only an indication of potential scope for the need to validate these claims. As indicated earlier, NHB does not at this time assert the validity of any specific claim, opine as to whether any specific asserted claims is of a correct amount, or whether a specific claim has been applied properly and is treated property under the Plan. Within the Class 6 claims, NHB's estimation of Potentially Valid Claims was within 2% of the Debtors' estimated recovery for Class 6 claims (see Exhibit G1: Analysis of Class 6 Claims).

In the final step, NHB sought to apply the Waterfall Allocation Methodology to allocate to each individual Debtor the value of (i) the Debtors' assertion of determined Enterprise Value and (ii) NHB's determination of the Fair Market Value of the Debtors' Assets. NHB was unable to determine the value of individual Debtors and as such was unable to allocate any ascribed value to each individual Debtor to validate the Plan's waterfall recovery to each class.

[18] Excludes asserted claims documented in the CCAA Plan; NHB was not able to distinguish whether some of the \$76.0 billion of asserted claims detailed in the CCAA Plan were duplicative of asserted claims detailed in the Plan.

Areas for Concern

NHB has several concerns about its inability to assess Non-Equity Claims and the resulting waterfall recovery as proscribed by the Waterfall Allocation Methodology. These concerns are:

- **Numerous claims are allocated cross-border between US and Canadian Debtors.** Without further transparency, there is a risk that an individual Debtor may have value that provides substantial recovery to equity shareholders, however, because of a 'blanket" allocation of claims, such value is eliminated in the treatment of value and claims on a combined basis.

- **Intercompany claims appear to be large and complex.** According to the Debtors' April 30, 2010 Monthly Operating Report ("April MOR"), the value of Investments in Subsidiaries was $14.8 billion. This amount is not reflected on in the financials provided in the Plan. One explanation could be that these amounts are offset by the Shareholder's Equity account of one or more individual Debtor(s). Within the April MOR, Shareholder's Equity is reported with an aggregate value of $13.2 billion; again, this amount is unusually large compared to the financials provided in the Plan. To the extent these amounts are related, it may indicate a preponderance of intercompany transactions from a parent Debtor to a subsidiary Debtor. There are numerous implications of these activities, particularly since the amounts in question are *twice as large as total assets as projected by the Debtors just before the planned reorganization.* Specific to Non-Equity Claims, these intercompany amounts may have a significant impact on the value ascribed to each individual Debtor.

- **It does not yet appear that the Debtors and their affiliates know the true amount of asserted claims or how such claims should be allocated to each individual Debtor.** According to the CCAA Plan, an excess of 7,400 claims have been filed aggregating to an asserted value of approximately $76.0 billion. Only $34 million of these claims have been accepted while 79% of the asserted claims are still under review.

In summary, NHB was able to estimate the potential value of Non-Equity Claims on an individual Debtor basis, however, it could not determine the value of each individual Debtor as required by the Waterfall Allocation Methodology. Furthermore, NHB identified several concerning aspects of this case that suggest the Debtors need to provide additional transparency before asserting estimated recoveries of claims and which classes are entitled to vote on the Plan.

Assessment of Indicative Equity Value

NHB was unable to determine the indicative Equity Value as it could not properly determine the value of each individual Debtor as required by the Waterfall Allocation Methodology. NHB's inability to determine the indicative Equity Value is not an opinion about the potential Equity Value, but rather an indication that such determination cannot be made at this time.

For example and with support from Exhibit G1: Analysis of Class 6 Claims, NHB's identification of Potentially Valid Non-Equity Claims provides that Class 6 receives close to 100% recovery. NHB does not assert that this is the case, but given the details of the Plan and existing disclosure, it is not certain what the recovery is to several classes of claims and interests.

FINDINGS AND CONCLUSIONS

Upon completion of our independent and objective valuation of the Fair Market Value for the assets of the Debtors as of the Valuation Date, we conclude that:

- The Fair Market Value of the Debtors' Assets before consideration of other sources of value is $4,338 million;
- Other value sources potentially represent up to $576 million and increase the Fair Market Value of the Debtors' Assets to $4,915 million;

- The estimated Liquidation Value based on NHB's review of the most recent financial statements and with consideration that the Debtors' account, Investment in Subsidiaries, may represent the ability to pay claims and/or interests at the individual debtor level, is $9,924 million;
- NHB is unable at this time to determine how claims related to each individual Debtor and how the value will be applied to each Debtor to determine recovery of each claim class; and
- NHB is not able to quantify the implied Equity Value, however, indications are that there could be some recovery to the Class of Common Stock Interests for certain individual Debtors (i.e. as determined on an individualized Debtor basis).

We conclude that the Fair Market Value of the Debtors' Assets before consideration of other sources of value is $4,338 million, however, due to limited disclosure by the Debtors, NHB is unable at this time to determine the size of claims associated with each individual Debtor or to ascribe value to each individual Debtor so as to make a determination of recovery to the respective classes of claims and interests.

EXHIBITS

Exhibit A: Summary Valuation Findings

AbitibiBowater Inc.: Illustrative & Summary Valuation Findings

$ millions unless otherwise stated		Asserted Claims		Fair Market	Liquidation	Value	
Source of Value	**Exhibit**	**Total Asserted Claim**	**Estimated Recovery**	**Value of Assets**	**Value of Assets**	**Specific to Shareholders**	**Illustrative Equity Value**
footnotes:		*(aa)*	*(bb)*	*(cc)*	*(dd)*	*(ee)*	*(ff)*
Fair Market Value of Assets Before Other Value Sources	B			$ 4,338 *(b)*			$ 4,338
Value from a Liquidation of Assets (in part or full)							
Cash, A/R, Inventory, Prepaids	C				854 *(g)*		
Income Tax Receivables	C			- *(c)*	- *(g)*		-
Plant Property & Equipment, net	C				606 *(g)*		
Goodwill / Intangible Assets	C				1 *(g)*		
Investments in Subsidiaries	C				8,562 *(g)*		2,029 *(i)*
Other Assets	C				40 *(g)*		
Less: Cost of Liquidation	C				(682) *(g)*		
Other Value Sources:							
ABT Counter suit against Newfoundland and Labrador	D			500 *(d)*	500 *(d)*		500
Correction of Temporary Inventory Writedown	E			76 *(e)*	42 *(e)*		76
Implications of Union Negotiations	NA			TBD *(f)*	TBD *(f)*		TBD
Value of Dividends Issued But Not Yet Paid	F					27 *(h)*	27
Claims:							
Unimpaired Claims	G	$ 381 *(a)*	$ 381 *(a)*				(381)
Impaired Secured/Priority Claims	G	797 *(a)*	797 *(e)*				(797)
Class 6 Claims	G1	6,212 *(a)*	2,000 *(a)*				(2,029) *(j)*
Total Asserted Value		**$ 7,389**	**$ 3,178**	**$ 4,915**	**$ 9,924**	**$ 27**	**$ 3,764**

Source: The Debtors' filings with the SEC, the Plan; the Disclosure Statement, NHB analysis

(aa) Total claims as asserted in the Disclosure Statement
(bb) Recovery presents an implied interpretation, by the Debtors, of the current market value of the Assets
(cc) NHB calculation of total enterprise value; assumes the market value of equity plus net debt based on publicly available information plus value from other sources
(dd) Estimated Liquidation Value of the Debtors' Assets plus the estimated value from other value sources
(ee) Value that is uniquely accretive to equity interests
(f f) An illustrative example of the implied value to shareholders calculated as the Fair Market Value of Assets less Non-Equity Claims (net of Cesh)

(a) Per the Plan and Disclosure Statement; excludes claims provided under the CCAA Plan as NHB was not able to distinguish whether some of the $76 0 billion of asserted claims detailed in the CCAA Plan were duplicative of asserted claims detailed in the Plan
(b) Based on a weighted average of approaches considered by NHB (see Exhibit B for details)
(c) NHB essumes that the Income Tax Receivables have no value due to the early retirement of a significant portion of debt
(d) Counter suit related to Canadian Government's seizure of plants and assessment of $200m of environmental & labor damages which was overturned in April 2010
(e) Represents a potential erroneous writedown of value; in a liquidation scenario, NHB assumes recovery of these amounts are 55% per the Liquidation Analysis in Exhibit C
(f) NHB was unable to find data to quantify whether ongoing negotiations are accretive to the Fair Market Value of the Debtors' Assets
(g) See Liquidation Analysis in Exhibit C for details
(h) The value of dividends issued but not yet distributed
(i) In the absence of other information, NHB has assumed that the invastments in subsidiaries are offset by the value of Potentially Valid Non-Equity Claims
(j) Assumes the value of claims where NHB found potentially corroborating support; this amount may change upon further investigation

Exhibit B: Fair Market Valuation of Assets Before Consideration of Other Value Sources

AbitibiBowater Inc.: Summary of Indicative Valuation Findings

$ millions unless otherwise stated			NHB Valuation Findings:			Assumed	Weighted Average Value:		
	Sched		Low	High	Average	Weight	Low	High	Average
Market Method, Valuation Multiples:									
Comparable Company EBITDA Multiples (a)	B1		4.4x	4.7x	4.6x				
Comparable Transaction EBITDA Multiples (b)	B2		3.0x	3.0x	3.0x				
LTM EBITDA	B3	$ 318							
Projected 2011 EBITDA	B3	$ 839							
Market Valuation:									
Comparable Company Valuation (based on 2011 EBTIDA)			$ 3,729	$ 3,946	$ 3,837	40%	$ 1,491	$ 1,578	$ 1,535
Comparable Transaction Valuation (based on LTM EBTIDA)			945	945	945	20%	189	189	189
DCF Valuation	B4		5,008	5,814	5,411	40%	2,003	2,326	2,164
Cash on hand as of the Valuation Date (c)							450	450	450
Fair Market Value of Assets, before consideration of other value sources							**$ 4,134**	**$ 4,543**	**$ 4,338**

Source: NHB analysis

(a) Based on 2011 projected EBITDA; assumes range provided by the arithmetic mean and median average

(b) Based on LTM EBITDA; assumes range provided by the arithmetic mean and median average

(c) NHB did not have projected cash for the Valuation Date but feels its assumption is conservative given that the April 30, 2010 MOR represents a cash balance of $445 million while the Plan provides projections that cash, just prior to the September 30, 2010 restructuring, will be $707 million

Exhibit B1: Guideline Company Analysis

AbitibiBowater Inc.: Comparable Company Analysis, Logging, Pulp, & Paper Industry

		6/30/10	As of 6/30/10:			EV as a Multiple of:					MC as a Multiple		LTM 3/31/10 Operating Ratios:		
		Share				LTM 3/31/10:			2010	2011	of LTM 3/31/10:		Gross	EBITDA	
Company	Ticker	Price	MC +	Net Debt =	EV	Rev.	GP	EBITDA	EBITDA	EBITDA	NI	BV	Margin	Margin	ROA
		($/share)	($ millions)	($ millions)	($ millions)								(% of Rev)	(% of Rev)	(%)
International Paper Co.	IP	$ 22.63	$ 9,880	$ 7,206	$ 17,086	0.7x	2.3x	6.5x	5.3x	4.7x	40.5x	1.7x	32%	11%	1%
Domtar Corp	UFS	49.15	2,072	1,336	3,408	0.6x	3.0x	2.9x	3.4x	3.8x	5.0x	0.8x	20%	21%	6%
Boise, Inc.	BZ	5.49	465	701	1,167	0.6	NM	3.0	4.1	3.6	3.3	0.8	0%	20%	8%
Verso Paper Corp	VRS	2.31	121	1,101	1,222	0.9	9.6	4.7	7.4	5.4	-58.0	1.8	9%	18%	0%
Clearwater Paper Corp	CLW	54.76	629	131	760	0.6	4.1	2.3	5.5	5.1	3.7	1.7	14%	25%	17%
Glatfelter	GLT	10.76	493	348	841	0.7	3.1	4.0	5.3	4.7	4.4	1.0	22%	17%	8%
Wausau Paper Corp	WPP	6.77	332	130	462	0.4	3.3	4.2	4.3	3.9	13.4	1.4	13%	11%	4%
					Mean (ex-high, low):	**0.6x**	**3.4x**	**3.8x**	**4.9x**	**4.4x**	**6.0x**	**1.3x**	**16%**	**17%**	**5%**
					Median:	**0.6**	**3.2**	**4.0**	**5.3**	**4.7**	**4.4**	**1.4**	**14%**	**18%**	**6%**

Source: *NHB analysis; Mergent*

Exhibit B2: Guideline Transaction Analysis

AbitibiBowater Inc.: Comparable Transaction Analysis: Logging, Pulp, &, Paper Transactions (2007 to Present)

Transaction:											Trans. Value as Multiple of LTM:			Operating Margins:	
Date of Closing	Target	Buyer	Seller	Target Headquarters	Transaction Value	Date of Financials	Revenue	Gross Profit	EBITDA	Net Income	Revenue	Gross Profit	EBITDA	Gross Profit	EBITDA
					($ millions)		($ millions)	($ millions)	($ millions)	($ millions)				(%)	(%)
01/01/10	Cellu Tissue Holdings, Inc.	IPO	Cellu Tissue Holdings, Inc.	Alpharetta, GA	$ 108	2/28/2010	$ 511	$ 79	$ 56	$ 4	0.2x	1.4x	n/a	15.5%	$ 0.11
12/21/07	Graphic Paper, Publication Paper, and Specialty Paper	NewPage Corporation	Stora Enso North America	Wisconsin Rapids, WI	1,928	12/31/2006	2,176	41	n/a	(243)	0.9	47.0	n/a	1.9%	n/a
10/29/07	Merger	Bowater	Abitibi	Montreal, Quebec	1,381	12/31/2006	4,851	1,239	576	54	0.3	1.1	2.4	25.5%	11.9%
03/21/07	Produces Parent Rolls of Tissue Paper from Recycled Paper	Cellu Tissue Holdings, Inc.	CityForest Corporation	Ladysmith, WI	61	12/31/2006	48	17	15	8	1.3	3.5	4.1	36.3%	30.9%
01/02/07	Unbleached Kraft Paper and Dunnage Bags	Kapstone Paper & Packaging Corp	International Paper Company	Roanoke Rapids, NC	155	12/31/2006	246	98	52	20	0.6	1.6	3.0	40.0%	21.2%
										Mean (ex-high/low multiples):	**0.6x**	**2.2x**	**3.0x**	**25.8%**	**16.1%**
										Median:	**0.8**	**2.6**	**3.0**	**30.9%**	**21.2%**

Source: Business Valuation Resources; *NHB analysis*

Exhibit B3: NHB Application of Financial Projections

AbitibiBowater Inc.: Profit & Loss

		Audited, for the YE Dec. 31,:			Adjusted YTD	Pro Forma 10/01/10	Pro Forma for the YE Dec. 31,:			
		2007	2008	2009	09/30/10	to 12/31/10	2011	2012	2013	2014
Sales		$ 3,876	$ 6,771	$ 4,366	$ 3,441	$ 1,222	$ 5,341	$ 5,480	$ 5,416	$ 5,474
	y-o-y change		*74.7%*	*-35.5%*	*-11.2%*	*-82.0%*	*14.5%*	*2.6%*	*-1.2%*	*1.1%*
Cost of sales		3,206	5,144	3,343	2,733	918	3,793	3,841	3,828	3,826
Gross Profit		$ 670	$ 1,627	$ 1,023	$ 708	$ 304	$ 1,548	$ 1,639	$ 1,588	$ 1,648
	As a % of sales	*17.3%*	*24.0%*	*23.4%*	*20.6%*	*24.9%*	*29.0%*	*29.9%*	*29.3%*	*30.1%*
Depreciation/amortization		396	726	602	399	72	294	301	307	314
Distribution costs		410	757	487	404	140	563	568	570	572
SG&A		258	332	198	127	41	146	139	135	132
Closure/impairment costs		123	810	202						
Arbitration award		28	481	-	-	-	-	-	-	-
Net gain on disposition of assets		(145)	(49)	(91)	(55)	-	-	-	-	-
Operating (loss) income		($ 400)	($ 1,430)	($ 375)	($ 167)	$ 51	$ 545	$ 631	$ 576	$ 630
Interest expense		(249)	(706)	(597)	(333)	(42)	(157)	(149)	(140)	(125)
Other expenses, net			93	(71)	(3)	1	7	8	10	10
Reorganization items, net		-	-	(639)	(137)	(4)				
Income/Loss before taxes, minority interest		(649)	(2,043)	(1,682)	(640)	6	395	490	446	515
Income tax benefit (provision)		158	92	122	230	(31)	(89)	(91)	(51)	(62)
Income/Loss before extraordinary item		(491)	(1,951)	(1,560)	(410)	(25)	306	399	395	453
Extraordinary loss on expropriation of asset			(256)							
Net income/loss including noncontrolling interests		(491)	(2,207)	(1,560)	(410)	(25)	306	399	395	453
Cash Dividends to Shareholders							-	-	-	-
Minority interest (net of tax)		1	(27)	7	5	(2)	(34)	(33)	(32)	(31)
Net income/loss attributable to AbitibiBowater		($ 490)	($ 2,234)	($ 1,553)	($ 405)	($ 27)	$ 272	$ 366	$ 363	$ 422
Normalized EBITDA Calculation:										
Net income		($ 490)	($ 2,234)	($ 1,553)	($ 405)	($ 27)	$ 272	$ 366	$ 363	$ 422
Depreciation & amortization of fixed assets		396	726	602	399	72	294	301	307	314
Amortization of debt discount/(premium) / issuance costs, net		8	123	57						
Closure/impairment costs		123	810	202	-	-	-	-	-	-
Arbitration award		28	481	-	-	-	-	-	-	-
Net gain on disposition of assets		(145)	(49)	(91)	(55)	-	-	-	-	-
Interest expense		249	706	597	333	42	157	149	140	125
Other expenses, net		-	(93)	71	3	(1)	(7)	(8)	(10)	(10)
Reorganization items, net		-	-	639	137	4	-	-	-	-
Income tax benefit (provision)		(158)	(92)	(122)	(230)	31	89	91	51	62
Extraordinary loss on expropriation of asset		-	256	-	-	-	-	-	-	-
Minority interests & Dividends (net of tax)		(1)	27	(7)	(5)	2	34	33	32	31
Normalized EBITDA		$ 10	$ 661	$ 395	$ 177	$ 123	$ 839	$ 932	$ 883	$ 944
		0.3%	*9.8%*	*9.0%*	*5.1%*	*10.1%*	*15.7%*	*17.0%*	*16.3%*	*17.2%*

Source: The Plan of Reorganization; NHB analysis

AbitibiBowater Inc.: Cash Flow

	Audited, for the YE Dec. 31,:			Adjusted YTD	Pro Forma 10/01/10	Pro Forma for the YE Dec. 31,:			
	2007	2008	2009	09/30/10	to 12/31/10	2011	2012	2013	2014
Net Income including non-controlling interests		($ 2,207)	($ 1,560)	($ 410)	($ 25)	$ 306	$ 399	$ 395	$ 453
PLUS: Depreciation & amortization		726	602	399	72	294	301	307	314
PLUS: Amortization of debt discount/(premium) / issuance costs, net		123	57	-	-	-	-	-	-
PLUS: Closure/impairment costs		810	142	-	-	-	-	-	-
PLUS: Changes in working capital									
A/R		(62)	172	(235)	7	(108)	(34)	25	(28)
Inventory		193	132	(7)	(20)	(13)	1	2	1
Assets held for sale		(769)	901	52	-	-	-	-	-
Other current assets		10	(28)	-	6	-	-	-	-
Accounts payable and accrued expenses		(185)	(559)	(165)	125	6	3	-	3
Deferred taxes		(188)	65	(107)	-	-	-	-	-
Total Operating Cash Flow		**($ 1,549)**	**($ 76)**	**($ 473)**	**$ 165**	**$ 485**	**$ 670**	**$ 729**	**$ 743**
Investment Cash Flow									
Capital Expenditures		$ 532	8	(265)	892	(110)	(125)	(115)	(115)
Goodwill, intangibles, other assets, net		1,614	(245)	326	411	37	9	10	6
Unconsolidated Investments		-	-	-	(65)	-	(1)	(4)	(5)
Pension assets		-	-	(149)	(10)	(68)	(70)	(80)	(76)
Restructuring Charges: Non-Cash Accounting Adjustments					(1,307)				
Total Investment Cash Flow		**2,146**	**(237)**	**(66)**	**(79)**	**(141)**	**(167)**	**(169)**	**(190)**
Free Cash Flow Before Financing		**$ 597**	**($ 313)**	**($ 561)**	**$ 86**	**$ 344**	**$ 483**	**$ 540**	**$ 553**
Financing Cash Flow									
Cash dividends		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-controlling interests		(27)	7	5	(2)	(34)	(33)	(32)	(31)
Debtor in possession financing		-	206	-	(206)	-	-	-	-
Administrative Claims		-	-	138	(138)	-	-	-	-
Short-term bank debt		88	3	(184)	(496)	-	-	-	-
Current-installments of long-term debt		(86)	27	(305)	-	-	-	-	-
Liabilities associated with assets held for sale		390	(374)	-	-	-	-	-	-
Long-term debt		320	(4,741)	805	(838)	-	-	-	-
Pension and other retirement obligations		(113)	(734)	(89)	391	-	-	-	-
Other long-term liabilities		(84)	15	(107)	-	-	-	-	-
Additional paid-in capital		138	71	(2,522)	-	-	-	-	-
Liabilities subject to compromise		-	6,761	875	(7,636)	-	-	-	-
Common stock		1	2	(55)	-	-	-	-	-
Exchangeable shares		(34)	(69)	(173)	-	-	-	-	-
Noncontrolling interests		136	(14)	261	-	5	4	1	3
Accumulated other comprehensive loss		(240)	(66)	450	-	-	-	-	-
Exit Financing		-	-	-	1,191	-	-	-	-
Minority interest in subsidiaries		(150)	-	-	-	-	-	-	-
Restructuring Charges: Cash Settlements					(138)				
Restructuring Charges. Non-Cash Settlement					7,636				
Total Financing Cash Flow		**339**	**1,094**	**(901)**	**(236)**	**(29)**	**(29)**	**(31)**	**(28)**
BoP Cash		$ 195	1,131	1,912	450	$ 300	615	1,069	1,578
Change in cash		936	781	(1,462)	(150)	315	454	509	525
EoP Cash	**$ 195**	**$ 1,131**	**$ 1,912**	**$ 450**	**$ 300**	**$ 615**	**$ 1,069**	**$ 1,578**	**$ 2,103**

Source: NHB analysis

AbitibiBowater Inc.: Balance Sheet

	Audited, for the YE Dec. 31,:			Adjusted YTD	Pro Forma 10/01/10	Pro Forma for the YE Dec. 31,:			
	2007	2008	2009	09/30/10	to 12/31/10	2011	2012	2013	2014
Assets									
Cash and cash equivalents	$ 195	$ 1,131	$ 1,912	$ 450	$ 300	$ 615	$ 1,069	$ 1,578	$ 2,103
Accounts receivables, net	754	816	644	879	872	980	1,014	989	1,017
Inventories, net	906	713	581	588	608	621	620	618	617
Assets held for sale	184	953	52		0	0	0	0	0
Other current assets	103	93	121	121	115	115	115	115	115
Total current assets	**$ 2,142**	**$ 3,706**	**$ 3,310**	**$ 2,038**	**$ 1,895**	**$ 2,331**	**$ 2,818**	**$ 3,300**	**$ 3,852**
Fixed Assets, net	$ 5,765	$ 4,507	$ 3,897	$ 3,763	$ 2,799	$ 2,615	$ 2,439	$ 2,247	$ 2,048
Goodwill	779	53	53	53	0	0	0	0	0
Amortizable intangible assets, net	1,203	285	473	311	0	0	0	0	0
Other Assets	430	460	517	353	306	269	260	250	244
Unconsolidated Investments	0	0	0	0	65	65	66	70	75
Pension assets	0	0	0	149	159	227	297	377	453
Total Assets	**$ 10,319**	**$ 9,011**	**$ 8,250**	**$ 6,667**	**$ 5,224**	**$ 5,507**	**$ 5,880**	**$ 6,244**	**$ 6,672**
Liabilities and shareholders' equity									
Accounts payable and accrued liabilities	$ 1,206	$ 1,021	$ 462	$ 297	$ 422	$ 428	$ 431	$ 431	$ 434
Debtor in possession financing	0	0	206	206	0	0	0	0	0
Administrative Claims	0	0	0	138	0	0	0	0	0
Short-term bank debt	589	677	680	496	0	0	0	0	0
Current-installments of long-term debt	364	278	305	0	0	0	0	0	0
Liabilities associated with assets held for sale	19	409	35	35	35	35	35	35	35
Total current liabilities	**$ 2,178**	**$ 2,385**	**$ 1,688**	**$ 1,172**	**$ 457**	**$ 463**	**$ 466**	**$ 466**	**$ 469**
Long-term debt	$ 4,695	$ 5,015	$ 274	$ 1,079	$ 241	$ 241	$ 241	$ 241	$ 241
Pension and other retirement obligations	936	823	89	0	391	391	391	391	391
Other long-term liabilities	231	147	162	55	55	55	55	55	55
Deferred income taxes	230	42	107	0	0	0	0	0	0
Exit Financing	0	0	0	0	1,191	1,191	1,191	1,191	1,191
Minority interest in subsidiaries	150	0	0	0	0	0	0	0	0
Total liabilities not subject to compromise	8,420	8,412	2,320	2,306	2,335	2,341	2,344	2,344	2,347
Liabilities subject to compromise			6,761	7,636	0	0	0	0	0
Total liabilities	**$ 8,420**	**$ 8,412**	**$ 9,081**	**$ 9,942**	**$ 2,335**	**$ 2,341**	**$ 2,344**	**$ 2,344**	**$ 2,347**
Shareholders' equity (deficit)									
Common stock	52	53	55	-	-	-	-	-	-
Exchangeable shares	276	242	173	-	-	-	-	-	-
Additional paid-in capital	2,313	2,451	2,522	-	-	-	-	-	-
Retained Earnings	(598)	(1,899)	(3,253)	(3,658)	2,506	2,778	3,144	3,507	3,929
Accumulated other comprehensive loss	(144)	(384)	(450)	-	-	-	-	-	-
Noncontrolling interests	-	136	122	383	383	388	392	393	396
Total shareholders' equity	**1,899**	**599**	**(831)**	**(3,275)**	**2,889**	**3,166**	**3,536**	**3,900**	**4,325**
Total liabilities and shareholders' equity	**$ 10,319**	**$ 9,011**	**$ 8,250**	**$ 6,667**	**$ 5,224**	**$ 5,507**	**$ 5,880**	**$ 6,244**	**$ 6,672**
Source: The Plan of Reorganization; NHB analysis	-	-	-	-	-	-	-	-	-

Exhibit B4(a): Calculation of Free Cash Flows to the Firm

AbitibiBowater Inc.: Free Cash Flows to the Firm

$ millions; for the FYE December 31,:	**2009A**	**YTD 09/30/10**	**10/01/10 to 12/31/10**	**2011F**	**2012F**	**2013F**	**2014F**	**Terminal Year**
EBIT	($ 375)	($ 167)	$ 51	$ 545	$ 631	$ 576	$ 630	$ 630
EBITDA	**395**	**177**	**123**	**839**	**932**	**883**	**944**	**944**
LESS: Tax (a)			-	(123)	(117)	(66)	(76)	
PLUS:								
Other Operating Cash Flow (b)			118	(115)	(30)	27	(24)	
Investment Cash Flow			(79)	(141)	(187)	(189)	(190)	
Free Cash Flow to the Firm (c)			**$ 162**	**$ 460**	**$ 598**	**$ 655**	**$ 654**	**$ 944**
year-over-year growth:				*184.1%*	*29.9%*	*9.6%*	*-0.1%*	

Source: Management projections; NHB analysis

(a) See WACC Calculations & Assumptions table for assumed tax rate; Tax Rate applied to EBIT

(b) Cash flow from changes in working capital

(c) Free Cash Flow to both Debt and Equity: EBITDA less Tax plus Other Operating Cash Flow plus Investment Cash Flow

Exhibit B4(b): Discount Rate Calculation

AbitibiBowater Inc.: WACC Calculation & Assumptions

For the period ending December 31:		2009A	YTD 09/30/10	10/01/10 to 12/31/10	2011F	2012F	2013F	2014F	Terminal Year
	2010 BV								
Debt Weighting (a)	$ 3,207			41.5%	42.3%	43.1%	43.9%	44.7%	45.5%
Equity Weighting (a)	2,017			58.5%	57.7%	56.9%	56.1%	55.3%	54.5%
Cost of Debt (b)				5.4%	4.2%	3.8%	4.4%	4.3%	6.5%
Cost of Equity				13.5%	12.5%	12.2%	13.0%	13.0%	13.7%
Tax Rate (c)				0.0%	22.5%	18.6%	11.4%	12.0%	12.0%
WACC				**10.1%**	**8.6%**	**8.3%**	**9.0%**	**8.9%**	**10.1%**
Cost of Equity									
Risk-Free Rate (d)				0.21%	1.49%	1.30%	1.92%	2.07%	4.30%
Unlevered Beta (e)				1.41	1.41	1.41	1.41	1.41	1.41
Levered Beta (f)				2.41	2.21	2.28	2.38	2.41	2.44
Market Risk Premium (g)				5.50%	5.00%	4.79%	4.65%	4.52%	3.86%
Cost of Equity				**13.5%**	**12.5%**	**12.2%**	**13.0%**	**13.0%**	**13.7%**
Assumed Credit Risk Spread (h)				5.14%	2.72%	2.46%	2.45%	2.24%	2.24%

NHB Assumptions:

(a) Weighting based on the book value of debt as of the YE 2010 and assuming that the 2010 book value of assets approximates the market value of assets

(b) Cost of Debt is based on the risk free rate plus the subject company's implied credit risk spread (see footnotes (d) and (h))

(c) Based in Debtors' projections

(d) The risk-free rate, as of the Valuation Date, as implied by Treasury obligations with durations comparable to each discounting period; coupons, which represent a reinvestment risk, are stripped from Treasury securities to derive a risk-free rate

(e) Based on industry average unlevered beta; see the table, Beta Calculation for additional information

(f) Relevers betas using assumed debt-to-equity ratios and tax rates for each respective year

(g) Expected premium returns of equities over comparable duration risk-free assets; for additional details see the accompanying table, Market Risk Premium (MRP) Calculation

(h) The assumed credit risk spread is a theoretical indication of credit risk based on the subject company's ability to service debt in each respective period; rate does not reflect actual cost of funding; see NHB's accompanying report for additional information

Exhibit B4(c): Industry Average Inputs to the WACC

Industry Average Inputs to the WACC: Comparable Pulp & Paper Companies (a)

$ millions unless otherwise stated Name	Ticker	Levered Beta	Mkt. Val. Equity	Net Debt	Total Capital	Debt / T. Capital	Debt/ Equity	Eff. Tax Rate	Unlevered Beta
		(b)	*(c)*	*(c)*	*(c)*			*(d)*	*(e)*
International Paper Co.	IP	2.570	$ 9,880	$ 7,206	$ 17,086	42.2%	72.9%	-6.6%	1.446
Domtar Corp	UFS	3.190	2,072	1,336	3,408	39.2%	64.5%	14.7%	2.058
Boise, Inc.	BZ	4.270	465	701	1,167	60.1%	150.7%	27.4%	2.038
Verso Paper Corp	VRS	3.210	121	1,101	1,222	90.1%	908.3%	0.2%	0.319
Clearwater Paper Corp	CLW	1.940	629	131	760	17.3%	20.9%	26.7%	1.683
Glatfelter	GLT	1.610	493	348	841	41.4%	70.7%	31.3%	1.084
Wausau Paper Corp	WPP	1.470	332	130	462	28.1%	39.1%	50.9%	1.233
Average		**2.609**				**45.5%**		**20.6%**	**1.409**

Notes:

(a) Based on identified comparable companies

(b) Source: CapitalIQ

(c) As of 6/30/10

(d) Assumes effective tax rate over the past five years

(e) Unlevers betas using respective debt-to-equity ratios and tax rates

Exhibit B4(d): Market Risk Premium

Market Risk Premium (MRP) Calculation

		2009A	YTD 09/30/10	10/01/10 to 12/31/10	2011F	2012F	2013F	2014F	Terminal Year
1928 - 2009 MRP for: (a)									
Treasury Bills	5.180%								
Treasury Bonds	3.864%								
Base MRP (b)		5.180%	5.048%	5.048%	4.917%	4.785%	4.654%	4.522%	3.864%
PLUS: Adjustment factor (c)		0.820%	0.452%	0.452%	0.083%				
Assumed MRP		6.000%	5.500%	5.500%	5.000%	4.785%	4.654%	4.522%	3.864%

Notes:

(a) Geometric average returns of the S&P 500 over US Treasury Bills and US Treasury Bonds

(b) Assumes an MRP on Treasury Bills in 2010, migrating gradually towards the MRP on Treasury Bonds in 2019

(c) NHB assumes that the current market requires a premium to historical MRPs; given atypical economic conditions, NHB has assumed an additional premium for 2010 to 1013; see NHB's accompanying report for additional information

Exhibit B4(e): DCF Valuation

AbitibiBowater Inc.: Indicative DCF Valuation

$ millions unless otherwise stated	Exit Multiples				
WACC (a)	**4.0x**	**5.0x**	**6.0x**	**7.0x**	
8.6%	$ 2,030	$ 2,030	$ 2,030	$ 2,030	PV of FCF (Q4 2010 - 2014)
	2,656	3,320	3,984	4,648	PV of Terminal Value
	$ 4,686	**$ 5,350**	**$ 6,014**	**$ 6,678**	**Indicative Fair Market Value of Assets**
	56.7%	*62.1%*	*66.2%*	*69.6%*	*TV as % of FMV of assets*
9.6%	$ 1,983	$ 1,983	$ 1,983	$ 1,983	PV of FCF (Q4 2010 - 2014)
	2,554	3,193	3,831	4,470	PV of Terminal Value
	$ 4,537	**$ 5,175**	**$ 5,814**	**$ 6,452**	**Indicative Fair Market Value of Assets**
	56.3%	*61.7%*	*65.9%*	*69.3%*	*TV as % of FMV of assets*
10.6%	$ 1,937	$ 1,937	$ 1,937	$ 1,937	PV of FCF (Q4 2010 - 2014)
	2,457	3,072	3,686	4,300	PV of Terminal Value
	$ 4,394	**$ 5,008**	**$ 5,622**	**$ 6,237**	**Indicative Fair Market Value of Assets**
	55.9%	*61.3%*	*65.6%*	*68.9%*	*TV as % of FMV of assets*
11.6%	$ 1,892	$ 1,892	$ 1,892	$ 1,892	PV of FCF (Q4 2010 - 2014)
	2,365	2,956	3,547	4,138	PV of Terminal Value
	$ 4,257	**$ 4,848**	**$ 5,439**	**$ 6,031**	**Indicative Fair Market Value of Assets**
	55.5%	*61.0%*	*65.2%*	*68.6%*	*TV as % of FMV of assets*

Source: Management projections; NHB analysis

(a) Represents the weighted WACC, weighting each year's WACC by the present value of that year's free cash flow.

Exhibit B5: Calculation of Credit Default Risk

AbitibiBowater Inc.: Estimation of Credit Risk Spread

	10/01/10 to 12/31/10	2011F	2012F	2013F	2014F	Terminal Year
EBITDA	$ 123	$ 839	$ 932	$ 883	$ 944	$ 944
Interest Expense	42	157	149	140	125	125
Interest Coverage (a)	2.9x	5.3x	6.3x	6.3x	7.6x	7.6x
Lower coverage (b)	2.50	4.50	6.00	6.00	7.50	7.50
Upper coverage (b)	3.00	6.00	7.50	7.50	9.50	9.50
Higher credit risk spread (c)	6.00%	3.00%	2.50%	2.50%	2.25%	2.25%
Lower credit risk spread (c)	5.00%	2.50%	2.25%	2.25%	1.75%	1.75%
Interpolated credit risk spread (d)	5.14%	2.72%	2.46%	2.45%	2.24%	2.24%

Source: Management reports; NHB analysis

(a) Ratio of EBITDA / Interest expense

(b) The upper and lower thresholds of interest coverage that corresponds to the Debtors' periodic interest coverage

(c) The upper and lower thresholds of default risk spreads that corresponds to the interest coverage thresholds determined in (b) above

(d) The interpolated default risk spread for the Debtors given their periodic interest coverage

2010 Default Risk Spreads

If interest coverage ratio is: >	≤ to	Rating is	Default Risk Spread	Bankruptcy Probability
-100000	0.50	D	20.00%	100%
0.50	0.80	C	15.00%	80%
0.80	1.25	CC	12.00%	65.00%
1.25	1.50	CCC	10.00%	50.00%
1.50	2.00	B-	8.50%	32.50%
2.00	2.50	B	7.25%	26.36%
2.50	3.00	B+	6.00%	19.28%
3.00	3.50	BB	5.00%	12.20%
3.50	4.00	BB+	4.25%	7.00%
4.00	4.50	BBB	3.50%	2.30%
4.50	6.00	A-	3.00%	1.41%
6.00	7.50	A	2.50%	0.53%
7.50	9.50	A+	2.25%	0.40%
9.50	12.50	AA	1.75%	0.28%
12.50	100000	AAA	1.25%	0.01%

Source: Aswath Damodaran & Edward Altman

Exhibit C: Liquidation Analysis

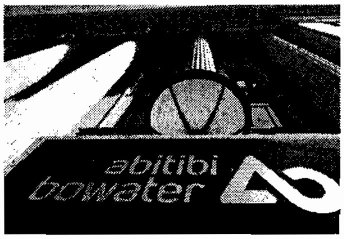
AbitibiBowater Inc.: Liquidation Analysis Summary

$ millions unless otherwise stated	Per the MOR for 4/30/2010	Recovery of BV Low	Recovery of BV High	Implied Liquidation Value Low	Implied Liquidation Value High	Implied Liquidation Value Average
ASSETS						
Cash & Equivalents	$ 457	100%	100%	$ 457	$ 457	$ 457
Receivable, net	325	65%	75%	211	244	227
Inventory	272	35%	75%	95	204	150
Prepaid & Other Current Assets	36	40%	70%	14	25	20
Income Tax Receivables	3,636	0%	0%	-	-	-
Plant Property & Equipment, net	1,617	25%	50%	404	808	606
Goodwill / Intangible Assets	56	0%	5%	-	3	1
Investments in Subsidiaries	14,891	40%	75%	5,956	11,168	8,562
Other Assets	229	10%	25%	23	57	40
Estimated Gross Liquidation Proceeds	**$ 21,520**	**33%**	**60%**	**$ 7,162**	**$ 12,967**	**$ 10,064**
LESS: Estimated Cost of Liquidation Process		10%	5%	(716)	(648)	(682)
Estimated Net Liquidation Proceeds				**$ 6,445**	**$ 12,319**	**$ 9,382**

Source: Plan of Reorganization; NHB analysis

Exhibit D: ABH Law Suit

Abitibi launches $500-million free trade suit



MONTREAL – Insolvent pulp-and-paper giant AbitibiBowater Inc. has launched a $500-million free-trade challenge to fight what it contends is the illegal expropriation of its assets in Newfoundland and Labrador. It would be one of the largest such claims brought against the federal government.

"The company contends that the provincial government's enactment in December 2008 of Bill 75, which expropriates an extensive array of the company's rights and assets, was arbitrary, discriminatory and illegal under international law," the company said in a statement Thursday.

The challenge is being made under Chapter 11 of the North American Free Trade Agreement.

AbitibiBowater said it is seeking direct compensation for damages of about $500-million, plus additional costs and any relief awarded by the Arbitral Tribunal.

"The expropriation was detrimental to the financial position of our Company," David Paterson, president and chief executive officer, said in the statement. "After operating in Newfoundland and Labrador for more than a century and contributing significantly to the region's economic, social and sustainable development, the nationalization of AbitibiBowater's assets was unexpected and unnecessary."

"AbitibiBowater has been engaged with the Government of Canada and the Government of Newfoundland and Labrador in an effort to achieve a fair and equitable settlement and avoid a protracted NAFTA case. Unfortunately, despite those extensive discussions, we are unable to resolve the matter at this time and the Company has no choice but to file a formal claim under NAFTA," Paterson added in the statement.

Although its headquarters are in Montreal, Abitibi is incorporated in Delaware and operates in the United States. It contends that the confiscation of its assets and rights in Newfoundland and Labrador in 2008 represents a breach of Canada's obligations to a U.S. investor under free-trade rules.

"It will be a humongous issue for the federal government," said a source, who asked not to be named because of the sensitivity of the matter.

Some legal observers said Wednesday they believed an amicable, nonlegal solution was impossible.

"[Newfoundland Premier] Danny Williams is causing trouble here. He knows that constitutionally, there's probably no way that the federal government can make him pay for this, even though he did it," said Todd Weiler, an attorney who was involved in many of the earliest NAFTA claims.

"The feds, by the same token, are probably loathe to take money out of the federal treasury to pay for it. From a political standpoint, I don't see how they can settle it. They're going to have to go through arbitration."

The process could take three or four years, Mr. Weiler said.

When Abitibi filed that notice, it estimated it was owed more than $300-million related to the seizure of its property and commercial rights. That figure ballooned after revision.

"The company has invested hundreds of millions of dollars in the province over the last century, ranging from capital investments in mill operations to road projects that have helped build rural Newfoundland," Abitibi said in a news release last April. The company filed for bankruptcy protection that same month.

In December 2008, Abitibi announced it would shut its Grand Falls mill, the last it operated in Newfoundland, to respond to a decline in product demand. Roughly two weeks later, the provincial government passed the Abitibi-Consolidated Rights and Assets Act.

The company contends the legislation, crafted in retaliation for its actions, effectively confiscated most of its assets in the province, including land rights, timber rights and water rights. It argues the new law also cancelled all water and electricity agreements it had with the province, cancelled all lawsuits the company had against the province, and blocked access to the courts to redress the situation.

When they expropriated Abitibi's assets, Newfoundland's politicians said they would fairly compensate Abitibi for things like dams and power plants, according to the Telegram newspaper in St. John's.

Mr. Williams later said the province was seeking to recoup worker severance payments from Abitibi and that the company may also have environmental liabilities to clean up its former operations. Both of those things would be subtracted from the fair market value of its assets, he said.

Exhibit E: Inventory Analysis

AbitibiBowater Inc.: Inventory Analysis

$ millions unless otherwise stated

	ABT Newsprint	Coated Papers	Specialty Papers	Market Pulp	Wood Products	Total
Inventory Value Per the Debtors' Dec. 2009 MOR						**$ 264.4**
Estimated Inventory Value at Lower of Market vs. Cost (a)						
Avg. Price (market price; $ / mt)	$ 571	$ 730	$ 731	$ 548	$ 254	
Avg. Cost ($ / mt)	$ 682	$ 574	$ 685	$ 430	$ 303	
Inventory Volume (mt)	117,000	22,000	86,000	53,000	106,000	
Implied Value of Inventory at Market Prices	$ 66.8	$ 16.1	$ 62.9	$ 29.0	$ 26.9	
Implied Value of Inventory at Cost	79.8	12.6	58.9	22.8	32.1	
Lower of Implied Inventory Valued at Market vs. Cost	**$ 66.8**	**$ 12.6**	**$ 58.9**	**$ 22.8**	**$ 26.9**	**$ 188.1**
Variance of inventory per the 2009 10-K and the:						**$ 76.4**
As a % of the estimated value per the 2009 10-K						*41%*

Source: AbitibiBowater Inc. 2009 10-k; Debtors' December 2009 MOR; NHB Analysis

(a) The Debtors value inventory at the lower of market vs. cost; avg. price, cost, and inventory data by division are per the Debtors' 2009 10-k

Exhibit F: Dividend Analysis

AbitibiBowater Inc.: Dividend Analysis

$ millions unless otherwise stated	FYE December 31,:				
	2009	**2008**	**2007**	**2006**	**2005**
Common stock issued and outstanding (shares, millions)	54.7	53.2	52.4	35.1	35.1
Dividends on common stock ($ / shr)	$0.00	$0.00	$1.15	$1.54	$1.54
Total Issued Dividends	**$0.0**	**$0.0**	**$60.2**	**$54.1**	**$54.1**
Cash payment of dividends, including minority interests	$ -	$ -	($ 49.0)	($ 46.0)	($ 46.0)
Accrued dividends not yet paid to shareholders (1)	**$0.0**	**$0.0**	**$11.2**	**$8.1**	**$8.1**

(1) NHB has not yet been able to verify if these dividends have been written off

Exhibit G: Total Asserted Claims

AbitibiBowater Inc.: Total Asserted Claims[a]

US$ millions unless otherwise stated

Class		Source	Assertion of Allowed Claims ($ MM)	Assertion of Allowed Claims % of Total	Estimated Recovery ($ MM)	Estimated Recovery % of Total
N/A	DIP Facility	Disclosure Statement	$ 206.0	2.8%	$ 206.0	100.0%
N/A	Securitized Claims	Disclosure Statement	136.1	1.8%	136.1	100.0%
N/A	Admin Claims	Disclosure Statement	38.7	0.5%	38.7	100.0%
N/A	Priority Tax Claims	Disclosure Statement	-	0.0%	-	NA
1	Priority Non-tax claims	Disclosure Statement	4.8	0.1%	4.8	100.0%
2	Bowater Secured Bank Claims	Disclosure Statement	280.1	3.8%	280.1	100.0%
3	BCFPI Secured Bank Claims	Disclosure Statement	143.8	1.9%	143.8	100.0%
4	ACCC Term Loan Secured Guaranty Claims	Disclosure Statement	357.2	4.8%	357.2	100.0%
5	Other Secured Claims	Disclosure Statement	11.1	0.1%	11.1	100.0%
6	Unsecured Claims	Sched G1	6,211.8	84.1%	1,999.8	32.2%
7	Convenience Claims	Disclosure Statement	TBD	TBD	0.0	TBD
8	Intercompany Claims	Disclosure Statement	N/A	0.0%		NA
9	Common Stock Claims and Interests	Disclosure Statement	N/A	0.0%	-	NA
	Total Asserted Claims		**$ 7,389.5**	**100.0%**	**$ 3,177.5**	**43.0%**

Source: Disclosure Statement

(a) Total claims per the United States Chapter 11 Proceeding; does not include claims under the CCAA proceeding

Exhibit G1: Analysis of Class 6 Claims

AbitibiBowater Inc.: Asserted Class 6 Claims (ranked by asserted size)

US$ millions unless otherwise stated

Class		Assertion of Allowed Claims		Estimated Recovery		Potentially Valid Non-Equity Claims (a)		Potential Claim (Deficiency) / Premium (b)	
		($ MM)	% of Total	($ MM)	% of Total	($ MM)	% of Claim	($ MM)	% of Est. Recovery
6S	Bowater Incorporated	$ 2,605.4	41.9%	$ 1,261.0	48.4%	$ 1,402.5	53.8%	($ 141.47)	-11.2%
6M	Bowater Canada Finance Corporation	620.1	10.0%	5.6	0.9%	-	0.0%	5.6	100.0%
6N	Bowater Canadian Forest Products Inc.	468.2	7.5%	170.9	36.5%	208.1	44.4%	(37.2)	-21.8%
6A	AbitibiBowater Inc.	466.2	7.5%	2.8	0.6%	387.3	83.1%	(384.5)	-13745.4%
6H	Abitibi Consolidated Sales Corporation	447.2	7.2%	104.6	23.4%	-	0.0%	104.6	100.0%
6F	Abitibi-Consolidated Corporation	312.1	5.0%	37.5	12.0%	-	0.0%	37.5	100.0%
6I	Alabama River Newsprint Company	309.6	5.0%	1.2	0.4%	-	0.0%	1.2	100.0%
6DD	Donohue Corp	305.4	4.9%	86.7	28.4%	-	0.0%	86.7	100.0%
6E	Abitibi-Consolidated Alabama Corporation	304.6	4.9%	-	0.0%	-	0.0%	-	
6J	Augusta Woodlands, LLC	304.6	4.9%	304.6	100.0%	-	0.0%	304.6	100.0%
6L	Bowater America Inc.	21.7	0.3%	7.4	34.2%	-	0.0%	7.4	100.0%
6K	Bowater Alabama LLC	17.4	0.3%	6.5	37.4%	-	0.0%	6.5	100.0%
6W	Bowater Newsprint South Operations	8.3	0.1%	1.4	16.7%	-	0.0%	1.4	100.0%
6G	Abitibi-Consolidated Finance LP	8.0	0.1%	8.0	100.0%	8.0	99.9%	0.0	0.1%
6D	AbitibiBowater Canada Inc.	6.3	0.1%	-	0.0%	-	0.0%	-	
6U	Bowater Maritimes Inc.	5.4	0.1%	1.1	20.8%	-	0.0%	1.1	100.0%
6Y	Bowater Nuway Mid-States Inc.	0.5	0.0%	0.1	18.5%	-	0.0%	0.1	100.0%
6V	Bowater Newsprint South LLC	0.3	0.0%	0.0	1.1%	-	0.0%	0.0	100.0%
6P	Bowater Canadian Limited	0.2	0.0%	0.2	100.0%	-	0.0%	0.2	100.0%
6O	Bowater Canadian Holdings Incorporated	0.1	0.0%	0.0	33.9%	-	0.0%	0.0	100.0%
6X	Bowater Nuway Inc.	0.1	0.0%	0.1	100.0%	-	0.0%	0.1	100.0%
6CC	Coosa Pines Golf Club Holdings LLC	0.0	0.0%	0.0	100.0%	-	0.0%	0.0	100.0%
6C	AbitibiBowater US Holding LLC	0.0	0.0%	-	0.0%	-	0.0%	-	
6EE	Lake Superior Forest Products Inc.	0.0	0.0%	0.0	53.1%	-	0.0%	0.0	100.0%
6B	AbitibiBowater US Holding 1 Corp	-	0.0%	-	0.0%	-	N/A	-	
6Q	Bowater Finance Company Inc.	-	0.0%	-	0.0%	-	N/A	-	
6R	Bowater Finance II LLC	-	0.0%	-	0.0%	-	N/A	-	
6T	Bowater LaHave Corporation	-	0.0%	-	0.0%	-	N/A	-	
6Z	Bowater South American Holdings Incorpora	-	0.0%	-	0.0%	-	N/A	-	
6AA	Bowater Venture Inc.	-	0.0%	-	0.0%	-	N/A	-	
6BB	Catawba Property Holdings, LLC	-	0.0%	-	0.0%	-	N/A	-	
6FF	Tenex Data Inc.	-	0.0%	-	0.0%	-	N/A	-	
6GG	ABH LLC I	-	0.0%	-	0.0%	-	N/A	-	
6HH	ABH Holding Company LLC	-	0.0%	-	0.0%	-	N/A	-	
	Trade Debt Claims (c)					23.1	N/A	(23.1)	
	Total Asserted Claims	**$ 6,211.8**	**100.0%**	**$ 1,999.8**	**32.2%**	**$ 2,028.9**	**101.5%**	**($ 29.1)**	**-1.5%**

Source: Disclosure Statement; NHB Analysis

(a) Claims where NHB found support that potentially corroborates the validity of a claim, this is not an assertion of validity

(b) The difference between the recovery provided for a claim under the Plan and the value of Potentially Valid Non-Equity Claims as identified by NHB

(c) As identified by NHB in its review of the submitted top-50 unsecured creditors and other docket reports

Exhibit G2: Potential Claims

AbitibiBowater Inc.: Summary of Known Claims[1]

$ millions unless otherwise stated

Known Borrower	Security Name	Known Lender/Trustee	Effective Rate[2]	Issue Date	Maturity	Security Description	Amount	Source of Information
Bowater Canada Finance Corporation	7.95% Senior Notes	The Bank of New York	7.95%	10/31/2001	11/15/2011	Senior Notes	$ 620.0	Sections 1.23 to 1.25, page 6 of Plan of ReOrg, page 4 CCAA Plan of ReOrg
Bowater Incorporated	6.5% Bowater Debentures	The Bank of New York Mellon Global Trust	6.50%	5/15/2003	2013	Debentures	408.1	Sections 1.1 to 1.3, page 4 of Plan of ReOrg
AbitibiBowater Inc.	ABH Convertible Notes	The Law Debenture Trust (successor to The E	17.50%	4/1/2008	2013	Convertible Notes	387.3	Sections 1.26 to 1.28, page 6 of Plan of ReOrg
Abitibi-Consolidated Company of Canada	Term Loan	Wells Fargo Bank NA	N/A	4/1/2008		Term Loan	357.2	Sections 1.63 to 1.68, pages 9-10 of Plan of ReOrg
Bowater Incorporated	2029 Float Rate Revenue Bonds (Solid W	McMinn County Industrial Development Boarc	FRN	6/1/1999	2029	Industrial Revenue Bonds	33.5	Sections 1.179 to 1.182, pages 19-20 of Plan of ReOrg
Abitibi-Consolidated Company of Canada	13.75% Senior Secured Notes	Wells Fargo Bank NA	13.75%	4/1/2008		Senior Secured Notes	338.9	Sections 1.49 to 1.53, page 8 of Plan of ReOrg
Abitibi-Consolidated Company of Canada	15.5% Senior Notes	Wilmington Trust Company	36.80%	4/1/2008	7/15/2010	Senior Notes	304.6	Sections 1.54 to 1.58, pages 8-9 of Plan of ReOrg; Section 1.1, pages 6-7 CCAA Plan of ReOrg
Bowater Incorporated	7.625% Revenue Bonds Series 1991 &	McMinn County Industrial Development Boarc	7.63%	3/1/1991		Industrial Revenue Bonds	30.2	Sections 1.12 to 1.15, page 5 of Plan of ReOrg
Bowater Canadian Forest Products Inc.	Series B Senior Notes	N/A	10.50%	6/1/1990	6/15/2010	Senior Notes	21.1	Sections 1.40 to 1.41, page 7 of Plan of ReOrg; Section 1.1, page 5 CCAA Plan of ReOrg
Bowater Incorporated	Bowater Secured Bank Documents	Wells Fargo Bank NA	N/A	5/31/2006		Secured Letters of Credit	290.1	Sections 1.95 to 1.99, pages 12-13 of Plan of ReOrg
Abitibi-Consolidated Finance LP	7.875% Notes due 8/1/2009	Bank of Nova Scotia	10.500%	7/26/1999	8/1/2009	Senior Notes	8.0	Sections 1.20 to 1.22, page 5 of Plan of ReOrg, page 4 CCAA Plan of ReOrg
Bowater Incorporated	9.0% Bowater Debentures	Manufacturer Hanover Trust Company	9.00%	8/1/1989	2009	Debentures	252.7	Sections 1.29 to 1.31, page 6 of Plan of ReOrg
Bowater Incorporated	2010 Floating Rate Notes	The Bank of New York	FRN	3/17/2004	2010	Floating Rate Notes	235.3	Sections 1.176 to 1.178, page 19 of Plan of ReOrg
Bowater Incorporated	9.375% Bowater Debentures	Marine Midland Bank	9.38%	12/1/1991	2021	Debentures	205.7	Sections 1.32 to 1.34, page 6 of Plan of ReOrg
Bowater Canadian Forest Products Inc.	BCFPI Secured Bank Documents	Bank of Nova Scotia	N/A	5/31/2006		Secured Letters of Credit	143.8	Sections 1.87 to 1.90, pages 11-12 of Plan of ReOrg
Bowater Incorporated	9.5% Bowater Debentures	Chase Manhattan Bank	9.50%	10/15/1992	2012	Debentures	130.9	Sections 1.35 to 1.37, pages 6-7 of Plan of ReOrg
Bowater Canadian Forest Products Inc.	Debentures	Computershare Trust Co of Canda (successor	10.85%	12/12/1939	11/30/2014	Debentures	107.8	Sections 1.46 to 1.48, page 7 of Plan of ReOrg, Section 1.1, page 6 CCAA Plan of ReOrg
Bowater Canadian Forest Products Inc.	Series C Senior Notes	N/A	10.50%	11/1/1990	1/15/2011	Senior Notes	71.9	Sections 1.42 to 1.43, page 7 of Plan of ReOrg; Section 1.1, page 5 CCAA Plan of ReOrg
Bowater Newsprint South LLC	Newsprint South - UDAG Loan	City of Grenada, MS	N/A	N/A		UDAG Loan	4.7	
Bowater Incorporated	7.75% Revenue Bonds Series 1992 & Lo	Finance Authority of Northern Maine	7.75%	10/1/1992	2022	Industrial Revenue Bonds	52.2	Sections 1.16 to 1.19, page 5 of Plan of ReOrg
Bowater Incorporated	7.4% Revenue Bonds (2022) & Loan Agr	McMinn County Industrial Development Boarc	7.40%	12/1/1992	2022	Industrial Revenue Bonds	40.6	Sections 1.8 to 1.11, pages 4-5 of Plan of ReOrg
Bowater Canadian Forest Products Inc.	10.26% Senior Notes (Series D)	N/A	10.26%	8/1/1990	1/15/2011	Senior Notes	4.5	Sections 1.38 to 1.39, page 7 of Plan of ReOrg; Section 1.1, page 5 CCAA Plan of ReOrg
Bowater Incorporated	7.4 % Revenue Bonds (2010) & Loan Ag	York County, South Carolina	7.40%	3/1/1991	2010	Industrial Revenue Bonds	3.3	Sections 1.4 to 1.7, page 4 of Plan of ReOrg
Bowater Canadian Forest Products Inc.	Series A Senior Notes	N/A	10.625%	8/1/1996	6/15/2010	Senior Notes	2.8	Sections 1.44 to 1.45, page 7 of Plan of ReOrg; Section 1.1, page 5 CCAA Plan of ReOrg
Abitibi-Consolidated Inc.	8.55% Notes due 2010	Bank of Nova Scotia	13.900%	7/26/1999	8/1/2010	Senior Notes	402.1	2009 10-k (pg 110), Section 1.1, page 5 of CCAA Plan of ReOrg
Abitibi-Consolidated Company of Canada	7.75% Notes due 2011	Bank of Nova Scotia	14.500%	6/15/2004	6/15/2011	Senior Notes	205.3	2009 10-k (pg 110); Section 1.1, page 4 of CCAA Plan of ReOrg
Abitibi-Consolidated Company of Canada	FRNs due 2011	Bank of Nova Scotia	L+10.2%	6/15/2004	6/15/2011	Floating Rate Notes	203.6	2009 10-k (pg 110), Section 1.1, page 17 of CCAA Plan of ReOrg
Abitibi-Consolidated Company of Canada	0% Debentures due through 2012	Investissement Québec	13.900%	5/28/2004	2012	Senior Notes	11.0	2009 10-k (pg 110); Section 1.1, page 3 of CCAA Plan of ReOrg
Abitibi-Consolidated Company of Canada	6.00% Notes due 2013	Bank of Nova Scotia	12.600%	12/11/2001	6/20/2013	Senior Notes	356.8	2009 10-k (pg 110), Section 1.1, page 3 of CCAA Plan of ReOrg
Abitibi-Consolidated Company of Canada	8.375% Notes due 2015	Bank of Nova Scotia	13.100%	12/11/2001	4/1/2015	Senior Notes	470.5	2009 10-k (pg 110), Section 1.1, page 4 of CCAA Plan of ReOrg
Unknown	7.132% Notes due 2017	0	7.200%				239.0	2009 10-k (pg 110)
Abitibi-Consolidated Inc.	7.40% Debentures due 2018	Computershare Trust Co of Canda (successor	11.800%	4/6/1998	4/1/2018	Debentures	184.0	2009 10-k (pg 110); Section 1.1, page 3 of CCAA Plan of ReOrg
Abitibi-Consolidated Inc.	7.50% Debentures due 2028	Computershare Trust Co of Cande (successor	11.600%	4/6/1995	4/1/2028	Debentures	260.2	2009 10-k (pg 110), Section 1.1, pages 3-4 of CCAA Plan of ReOrg
Abitibi-Consolidated Inc.	8.50% Debentures due 2029	Bank of Nova Scotia	12.100%	7/26/1999	8/1/2029	Debentures	254.5	2009 10-k (pg 110); Section 1.1, pages 4-5 of CCAA Plan of ReOrg
Abitibi-Consolidated Inc.	8.85% Debentures due 2030	Bank of Nova Scotia	12.300%	7/26/1999	4/1/2030	Debentures	458.4	2009 10-k (pg 110), Section 1.1, page 5 of CCAA Plan of ReOrg

Exhibit G2: Potential Claims (continued)

AbitibiBowater Inc.: Summary of Known Claims[1]

$ millions unless otherwise stated

Known Borrower	Security Name	Known Lender/Trustee	Effective Rate[2]	Issue Date	Maturity	Security Description	Amount	Source of Information
Unknown	Notes	Hare & Co	N/A		N/A	Notes	24.0	Amended list of top-50 largest unsecured claims
Unknown	Notes	John Hancock Financial Services	N/A		N/A	Notes	15.0	Amended list of top-50 largest unsecured claims
Unknown	Notes	Nationwide Life Insurance Company	N/A		N/A	Notes	10.0	Amended list of top-50 largest unsecured claims
Unknown	Notes	Steelhead Navigator Master LP	N/A		N/A	Notes	10.0	Amended list of top-50 largest unsecured claims
Unknown	Notes	The Minnesota Mutual Life Ins Company	N/A		N/A	Notes	9.2	Amended list of top-50 largest unsecured claims
Unknown	Notes	Cede & Co.	N/A		N/A	Notes	8.4	Amended list of top-50 largest unsecured claims
Unknown	Notes	Credit Suisse Securities USA LLC	N/A		N/A	Notes	7.7	Amended list of top-50 largest unsecured claims
Unknown	Loan Agreement	0	N/A		N/A	Loan Agreement	4.6	Amended list of top-50 largest unsecured claims
Unknown	Loan Agreement	0	N/A		N/A	Loan Agreement	3.9	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Dow Chemical Canada	N/A		N/A	Trade Debt	3.6	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	McBurney Power	N/A		N/A	Trade Debt	3.1	Amended list of top-50 largest unsecured claims
Unknown	Notes	Northwest Farm Credit Services	N/A		N/A	Notes	2.4	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Imerys, Inc.	N/A		N/A	Trade Debt	2.3	Amended list of top-50 largest unsecured claims
Unknown	Notes	Goldman Sachs	N/A		N/A	Notes	2.0	Amended list of top-50 largest unsecured claims
Unknown	Notes	Federated Mutual Insurance Company	N/A		N/A	Notes	2.0	Amended list of top-50 largest unsecured claims
Unknown	Notes	Principal Mutual Life Insurance Co	N/A		N/A	Notes	2.0	Amended list of top-50 largest unsecured claims
Unknown	Notes	Transamerica Life Insurance Co	N/A		N/A	Notes	2.0	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Andritz Ltd	N/A		N/A	Trade Debt	2.0	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Metso Paper Ltd	N/A		N/A	Trade Debt	1.5	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Olin Corporation	N/A		N/A	Trade Debt	1.5	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Clow Darling Limited	N/A		N/A	Trade Debt	1.2	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Southern Iconics	N/A		N/A	Trade Debt	1.2	Amended list of top-50 largest unsecured claims
Unknown	Notes	General American Life Insurance Company	N/A		N/A	Notes	1.1	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Metso Automation	N/A		N/A	Trade Debt	1.0	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Ontario Power Generation	N/A		N/A	Trade Debt	1.0	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Applied Industrial Technology	N/A		N/A	Trade Debt	0.8	Amended list of top-50 largest unsecured claims
Unknown	Notes	Diversified Energy Inc	N/A		N/A	Notes	0.8	Amended list of top-50 largest unsecured claims
Unknown	Notes	Provident Mutual Life Insurance Co	N/A		N/A	Notes	0.8	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	York County Natural Gas	N/A		N/A	Trade Debt	0.7	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Cascades Sonoco Inc	N/A		N/A	Trade Debt	0.7	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Ashland Hercules Water Technologies	N/A		N/A	Trade Debt	0.5	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	McAbee Construction Inc	N/A		N/A	Trade Debt	0.5	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Rohm & Hass	N/A		N/A	Trade Debt	0.4	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Albany Internationel Corp	N/A		N/A	Trade Debt	0.4	Amended list of top-50 largest unsecured claims
Unknown	Notes	The Franklin Life Insurance Company	N/A		N/A	Notes	0.4	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Omnova Solutions	N/A		N/A	Trade Debt	0.4	Amended list of top-50 largest unsecured claims
Unknown	Notes	The Fulton Company	N/A		N/A	Notes	0.2	Amended list of top-50 largest unsecured claims
Unknown	Trade Debt	Process Equipment	N/A		N/A	Trade Debt	0.3	Amended list of top-50 largest unsecured claims
Total							$ 7,150.2	

Source: the Plan, Disclosure Statement, NHB analysis

[1] Claims identified from the 2009 10-k, amended list of top-50 unsecured creditors, and Plan of Reorganization

[2] Last reported effective rate per the 2009 10-k or the rate detailed in the security description if not otherwise known

Exhibit G3: Estimated Claims Allocation to Debtors

AbitibiBowater Inc.: Reconcilation of Known Claims to Classes (a)

Known Borrower	Class 2	Class 3	Class 4	Class 6	Class 6 Trade Debt	CCAA	Unknown	Total
Abitibi-Consolidated Company of Canada	$ -	$ -	$ 357	$ -	$ -	$ 1,891	$ -	$ 2,248
Bowater Incorporated	280	-	-	1,403	-	-	-	1,683
Abitibi-Consolidated Inc.	-	-	-	-	-	1,479	-	1,479
Bowater Canada Finance Corporation	-	-	-	-	-	620	-	620
AbitibiBowater Inc.	-	-	-	387	-	-	-	387
Unknown	-	-	-	-	23	-	346	369
Bowater Canadian Forest Products Inc.	-	144	-	208	-	-	-	352
Abitibi-Consolidated Finance LP	-	-	-	8	-	-	-	8
Bowater Newsprint South LLC	-	-	-	-	-	-	5	5
Total	$ 280	$ 144	$ 357	$ 2,006	$ 23	$ 3,990	$ 350	$ 7,150

Source: Court Docket Reports; NHB analysis

(a) Claims in the CCAA column represent claims that NHB understands may be guaranteed by a debtor of the CCAA Proceeding

Exhibit H: Comparison of the Debtors' Presentation of Asset Accounts

AbitibiBowater Inc.: Comparison of the Debtors' Presentation of Asset Accounts

$ millions unless otherwise stated	Per the Audited Period Ending Dec. 31,:			Pro Forma	Per the MOR for the period of:		Variance of Apr. 2010 MOR
	2007	2008	2009	Sept. 2010	Dec. 2009	Apr. 2010	*less* PF Sept. 2010
Assets							
Cash and cash equivalents	$ 195	$ 192	$ 774	$ 707	$ 445	$ 457	($ 317)
Accounts receivables, net	754	816	644	879	326	325	(319)
Inventories, net	906	713	581	588	264	272	(309)
Assets held for sale	184	953	52	-	-	-	(52)
Prepaid expenses and Other	-	-	-	-	66	36	36
Note receivables from affiliates	-	-	-	-	3,638	3,636	3,636
Other current assets	103	93	121	121	-	-	(121)
Total current assets	**$ 2,142**	**$ 2,767**	**$ 2,172**	**$ 2,295**	**$ 4,739**	**$ 4,726**	**$ 2,554**
Fixed Assets, net (a)	$ 5,765	$ 4,507	$ 3,897	$ 3,763	$ 1,734	$ 1,617	($ 2,280)
Goodwill	779	53	53	53	56	56	3
Investment in Subsidiaries	-	-	-	-	14,769	14,891	14,891
Amortizable intangible assets, net	1,203	285	473	311	-	-	(473)
Other Assets	430	460	517	353	167	229	(288)
Pension assets	-	-	-	149	-	-	-
Total Assets	**$ 10,319**	**$ 8,072**	**$ 7,112**	**$ 6,924**	**$ 21,465**	**$ 21,519**	**$ 14,407**

Source: The Debtors' filings with the SEC; the Plan; the Disclosure Statement; NHB analysis

(a) On Monthly Operating Reports, line item is presented as Plant & Equipment less accumulated depreciation

APPENDICES

Appendix A: John Tittle, Jr., CTP, CPA/CFF, CIRA, CDBV Curriculum Vitae

PROFESSIONAL SUMMARY

Mr. Tittle has 30 years of accounting and financial experience, including founding, growing, and managing an accounting and consulting practice and a financial advisory firm. He has taken a company public and has experience as the Chief Financial Officer of an AMEX listed manufacturer and distributor. Mr. Tittle currently serves as a Principal of NHB Advisors, Inc. (formerly NachmanHays-Brownstein). Prior to NHB, he led the Southwest Region for XRoads Solutions Group, LLC and previously was a partner in the Financial Advisory Services practice of Deloitte, where he led the firm's Reorganization Services practice in the Mid-America Region. Mr. Tittle's areas of emphasis include rendering bankruptcy advisory/reorganization services on behalf of varied stakeholders in the bankruptcy/turnaround arena, obtaining debt and equity capital, acting as a consultant and/or principal in merger and acquisition activities, including substantial attention to due diligence matters, rendering business valuations and solvency opinions, and providing expert testimony and litigation consulting services in judicial proceedings.

His industry experience includes airlines, manufacturing, retail, wholesale distribution, Internet, merchant power/utilities, telecommunications, media, insurance, construction, railroads, healthcare, aquaculture, sub-prime auto finance companies, restaurants, and oil and gas exploration and production.

EXAMPLE ENGAGEMENTS

Bankruptcy Consulting/Reorganization Services

Debtor/Company-Side (Advisory/Interim Management)

- Engagement Principal involving assignment as Financial Advisors to PNG Ventures, Inc., *et al.* in their Chapter 11 cases. We prepared enterprise and liquidation valuations in connection with the cases. Confirmation issues were resolved prior to Mr. Tittle's testimony.

- Engagement Principal for matter as Financial Advisors to Crescent Oil Company, *et al.* involving sale of approximately 300 gasoline station/convenience store and fuel distribution locations in Kansas, Oklahoma, Missouri, Arkansas, Texas, and Louisiana. We conducted a highly successful 363 sale process and obtained a substantial recovery to the creditors.

- Principal on turnaround project and as financial advisor to M & M Drying, *et al.* (Commercial Alloys Corporation), a scrap metal recycler, processor, and provider of aluminum and aluminum alloy products. We assisted the Company to achieve sustained improvement in EBITDA through consulting on receiving, procurement, and melting processes and procedures as well as negotiations with its Secured Lenders on various forbearance agreements.

For Commercial Alloys Corporation in its Chapter 11 case, we provided general financial advisory assistance, including consulting on exit strategies and the rendering of an expert report in preparation for contested cash collateral hearing. The matter was resolved prior to Mr. Tittle's testimony.

- Trustee of Creditor Trust of remaining assets of company formerly in the paper industry after an out of court workout and liquidation of all secured debt.

- Engagement Principal involving assignment on behalf of Secured Lender to serve as Trustee of a Liquidating Trust to operate, manage, turnaround, and dispose of a convenience store chain in the Southeastern United States.

- Engagement Partner on reorganization services work to Panaco, Inc. as the Debtor in its Chapter 11 proceedings. We assisted the Debtor in marketing certain of the assets, restructuring its secured and unsecured debt, and developing a Plan of Reorganization, and in general corporate bankruptcy matters.

- Engagement Partner for matter as Accountants, Reorganization Consultants and Financial Advisors to Food Fast Holdings, Ltd. We assisted the Debtor with business rationalization issues, negotiations with parties in-interest, budget and projections, accounting issues, and the Plan of Reorganization.

- Retained as Accountants, Reorganization Consultants and Financial Advisors to Lucky Lady Oil Company. We assisted the Debtor with budgets and projections, disclosure statement issues, fuel tax issues, cash collateral budgets and extensions, accounting issues, DIP facility matters, flash reports and long term business plan issues. Mr. Tittle testified in Bankruptcy Court relative to cash collateral issues.

International

- Engagement Partner for matters as Accountants, Reorganization Consultants and Financial Advisors to the Unsecured Creditors' Committee of Daisytek Inc., *et al.* Consulted on Australian and UK aspects of the bankruptcy of certain international affiliates. From a domestic standpoint, we performed services with respect to the Debtors' many proposed Key Employee Retention Plans, cash collateral analyses, creation, development and completion of a detailed, integrated financial model by entity to prepare reorganization and recovery analyses and scenarios, liquidation analyses, attempts to secure DIP and exit financing, evaluation of the auction process and bids received, international issues, financing issues, adequate protection issues, and general bankruptcy matters involving the unsecured creditors. Mr. Tittle rendered testimony on several occasions on hearings regarding cash collateral and financing issues. He also rendered deposition and testimony at a hearing regarding the diminution of the bank's collateral position, including a liquidation analysis of the Debtor.

- Engagement Partner on reorganization services work for Bank One as Agent for Bank Group on restructuring of a senior debt facility of $100 million for IFCO Systems, N.V. and subsidiaries. Work included the performance of a collateral analysis of accounts receivable and inventory; due diligence on historical financial information, including analysis around restructuring charges; due diligence and advice relative to the tax implications of the borrower's restructuring plan, including both domestic and international tax issues; preparation of a liquidation analysis; development of a business plan assessment, including significant due diligence involving revenue and cost drivers and the execution of a market study; assisted in designing terms and conditions of terms sheets, including financial covenants; assisted in negotiations with the borrower, borrower's financial advisors, and bondholders' financial advisors; assisted in financial terms of the revised credit agreement to affect restructuring. The Bank Group has been paid in full and considers this a success.

Creditor and Other

- Engagement Principal as expert on behalf of LNR Partners relative to Feasibility, Interest Rate, and other confirmation issues in connection with the bankruptcy case of MBS – Lodge at Stone Oak Ranch, Ltd., an apartment complex. Mr. Tittle rendered deposition testimony as well as testimony at a contested confirmation hearing. The Judge confirmed the plan over the objection of LNR Partners (other related contested plans were confirmed as well).

- Engagement Principal as expert on behalf of Unnamed Secured Creditor relative to Feasibility, Interest Rates, and other confirmation issues in connection with the bankruptcy cases of certain apartment complexes. The matter settled prior to Mr. Tittle's testimony.

- Engagement Principal as expert on behalf of DB Zwirn/Bernard Loan Investors relative to lease recharacterization issue in the Ecco Drilling Chapter 11 Case. Mr. Tittle rendered trial testimony and indicated that the transactions in question were true leases.

- Engagement Principal as expert on behalf of Unnamed Secured Creditor relative to Feasibility and other confirmation issues in connection with the bankruptcy cases of certain fast food restaurant franchisees. Mr. Tittle rendered deposition testimony. The matter settled prior to Mr. Tittle's testimony at contested Confirmation Hearing.

- Engagement Principal as expert on behalf of Verizon Capital Corp., JPMorgan Chase (as successor to Bank One, N.A.), and Union Bank of California in connection with certain creditors' rights matters regarding Mirant Mid-Atlantic, LLC and its wholly-owned subsidiaries in the Mirant bankruptcy cases. Mr. Tittle rendered deposition testimony twice involving valuation and accounting issues.

- Engagement Principal in a Chapter 11 Case as Financial Advisors to the Official Committee of Unsecured Creditors of Falcon Products, Inc. Our work included due diligence on and assessment of the Debtors' various business plans, preparation of valuation analyses, DIP Budget analyses, and assistance in negotiations of terms for treatment of the Unsecured Creditors' claims in the Debtors' Plan of Reorganization.

- Engagement Principal as expert on behalf of Hainan Airlines and a related company, Pacific American Corporation, in adversary proceedings in certain bankruptcy courts involving accounting and lost profits issues. Mr. Tittle has rendered deposition testimony in one case and testified at an international arbitration hearing in another related case.

- Engagement Partner/Principal as expert on behalf of Plan Administration Agent involving preparation of a going-concern valuation opinion and liquidation analysis using a "what if" Plan of Reorganization in litigation matter involving former officers and suppliers of Kevco, Inc. Project also involved solvency analyses of Kevco within ninety days of filing for Chapter 11 by Kevco and certain work regarding the secured/undersecured position of the lender group to Kevco as of the petition date. Prepared a report on the damages sustained due to the alleged acts of the former officers and suppliers, a rebuttal report of the opposing expert, a report as to the solvency issues, and a report regarding the secured status of the lender group as of the petition date. Mr. Tittle rendered deposition testimony in one adversary proceeding and testimony at a hearing in another related adversary proceeding.

- Assisted Directors Investment Group in its objections to the confirmation of the Plan of Reorganization of The Loewen Group, Inc. Our work involved the preparation of liquidation analyses under various scenarios in a very complex bankruptcy case comprised of over 1,000 debtor entities. Mr. Tittle testified in Bankruptcy Court relative to our findings that the Plan of Reorganization as presented did not comply with the Best Interests Test, based upon liquidation values, and discriminated among classes of unsecured creditors. The Judge confirmed the plan over the objections of many parties, including Directors Investment Group.

Corporate Finance Services

International

- Assisted a short line railroad in evaluating three acquisitions and conducting due diligence on two transactions. One transaction involved a $40 million prospective purchase of the ferry operation of a major Canadian railway. Another transaction involved an Alberta-based short line railroad of another Canadian railway. From a domestic standpoint, negotiated an $11 million credit facility for this railroad client. Acted as financial advisor in a $5.2 million purchase transaction.

- Acted as financial advisor to an Ontario-based telecommunications company involved in a rollup of interconnect companies across Canada and conversion of those acquired entities to its CLEC/ICP business model. Assisted the Company in identifying an Internet Service Provider (ISP) to acquire. Performed due diligence on the Company and its business plan. Engagement also included assistance in the Company's capital-raising efforts, including, determination of the value of the Company, structuring of deal terms and conditions, preparation of a Confidential Information Memorandum on the proposed transaction, and introduction of the opportunity to institutional investors.

- Acted as a financial advisor to a Quebec-based consumer/leisure products company in its discussions to be acquired by various US companies in the same industry. Engagement included preparation of valuation of the Company and negotiation of deal structure, pricing and terms.

- Acted as co-manager with an Alberta-based financial advisory boutique to assist an Alberta-based company with patented technology for direct digital capture of x-ray images in raising a new round of equity capital. Performed due diligence on the Company and its business plan. The client terminated the engagement by paying the prescribed breakup fee in order to take advantage of a proposed firm underwritten offering as opposed to our best efforts arrangements.

Domestic

- Engagement Principal on assessment assignment involving due diligence performed on the business plan detailing the merger of Container-Care International and Global Intermodal Systems as requested by the secured lender. Our work included the monitoring of results of the combined company on a post-merger basis.

- Retained in sell-side engagement to market a Mechanical Contractor to industry investors. Engagement included determination of the value of the Company, structuring of deal terms and conditions, preparation of a Confidential Information Memorandum on the proposed transaction, and introduction of the opportunity to industry investors.

- Acted as financial advisor to a startup satellite-delivered radio news network including preparation of a business plan and Financing Memorandum, determination of valuation issues and use of proceeds, and introductions to selected institutional investors.

- Assisted an oil and gas exploration company involved in a horizontal drilling project in revising its business plan, packaging a proposed equity transaction to raise capital for developmental drilling purposes, and marketing the transaction to institutional investors.

- Retained as co-manager with a Virginia-based boutique financial advisory firm to assist a Vienna, Virginia- based Internet/Telecommunications Company in obtaining new debt and equity capital. The Company provided wholesale Internet access to ISPs and retail shopping malls and rendered network security and integration services. Revised the Company's business plan and determined a value for the Company for purposes of the private placement and introduced the proposed transaction to institutional investors.

- Retained as co-manager with a Virginia-based boutique financial advisory firm to assist a Miami-based company in obtaining new debt and equity capital. The Company provided telecommunications services and Internet access between its Miami-based Network Operations Center, its Points of Presence (POPs) in Miami, New York and California and selected cities in South America. Performed due diligence on the Company on proposed transaction. Revised the Company's business plan and introduced the proposed transaction to institutional investors.

- Has taken a company public including performance of legal and accounting due diligence on target shell companies, preparation of the registration statement that was filed with the United States Securities and Exchange Commission in conjunction with the company going public, and preparation and coordination of all matters relative to the company's listing on the American Stock Exchange.

- In a three year period, as a principal, closed nine acquisitions, took another six transactions to the letter of intent stage and reviewed, analyzed, and conducted preliminary negotiations and due diligence on 17 additional targets. All acquisition activity was handled from determination of initial interest through closing or applicable termination of discussions.

PREVIOUS POSITIONS

Stout Risius Ross, Inc., Managing Director and National Practice Leader – Restructuring & Turnaround
LECG, LLC, Director
XRoads Solutions Group, Principal & Southwest Regional Practice Leader
Deloitte & Touche LLP, Partner and Mid-America Regional Practice Leader, Reorganization Services
Cascade International Capital Corporation, President
Price Waterhouse LLP, Director, Financial Advisory Services
The Leather Factory, Inc., Chief Financial Officer, Treasurer and Director
Bailey Vaught Robertson & Co., CPAs and Consultants, Partner
Tittle & Associates, Inc., CPAs and Consultants, President

EDUCATION

Texas Christian University, B.B.A., Major in Accounting, *Magna Cum Laude,* 1979

CERTIFICATIONS

Certified Public Accountant in Texas, 1980
Certified Insolvency and Restructuring Advisor, 2002
Certified in Financial Forensics, 2009
Certification in Distressed Business Valuation, 2009
Certified Turnaround Professional, 2009

PRESENTATIONS AND PUBLICATIONS

Co-Author, "'Bad Faith' Definitions Continue to Evolve," Daily Bankruptcy Review – February, 2005

Co-Author, "Reform in Mexico: Five Years Later," American Bankruptcy Institute Journal – May, 2005

Speaker, Locke Liddell & Sapp LLP presentation, "Capital Trends and Restructuring Impact" – May, 2005

Speaker, American Bankruptcy Institute 24th Annual Spring Meeting ("Can the Problems Facing U.S. Manufacturers Be Fixed?") – April, 2006

Speaker, American Bankruptcy Institute Webinar ("The New Pension Law for Bankruptcy Attorneys and Turnaround Managers") – October, 2006

Speaker, National Conference of Bankruptcy Judges ("Gift and Carve Out Plans and Other Developing Confirmation Issues in Chapter 11") – October, 2007

Speaker, American Bankruptcy Institute 26th Annual Spring Meeting ("Beyond Ethics: The Coexistence of Zealousness, Professionalism and Civility in the Insolvency Community") – April 2008

Author, "Banks Can Serve As Change Agents For Troubled Borrowers, Dow Jones DBR Small Cap – April 2009

Speaker, American Bankruptcy Institute 17th Annual Southwest Bankruptcy Conference ("The Contested Confirmation: Traps, Potholes and Strategies in a Cramdown") – September 2009

Speaker, 29th Annual ABI/UMKC Midwestern Bankruptcy Institute ("Financing a Chapter 11 - Pre, During, and Exit") – October 2009

PROFESSIONAL AFFILIATIONS

Board of Directors and Executive Committee, American Bankruptcy Institute
Century Council Member, American Bankruptcy Institute
Education Committee, American Bankruptcy Institute
Audit Subcommittee Chairperson, American Bankruptcy Institute
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
Association of Insolvency and Restructuring Advisors
Turnaround Management Association

Updated: June, 2010

Appendix B: Testimony Experience of John Tittle, Jr.

(Past Four Years)

Trial Testimony

*Dr. Eberhard Braun, as Insolvency Administrator for Fairchild Dornier GmbH, and Fairchild Dornier GmbH vs. Hainan Airlines Co., Ltd and Pacific American Corporation (*International Arbitration, November 2007)

In re: Ecco Drilling Company, Ltd., Chapter 11 Case No. 07-60987 (E.D. Tex., Judge Bill Parker, April 2008)

In re: MBS – Lodge at Stone Oak Ranch, Ltd., Chapter 11 Case Nos. 07-12151 and 07-12292 (E.D. La., Judge Elizabeth W. Magner, May 2008)

Deposition Testimony

In re: MBS – Lodge at Stone Oak Ranch, Ltd., Chapter 11 Case Nos. 07-12151 and 07-12292 (E.D. La., Judge Elizabeth W. Magner, May 2008)

Appendix C: List of Documents Relied Upon

Document	Author	Date	Description
Book	Morningstar, Inc.	2009	*2009 Ibbotson Cost of Capital Yearbook*
Book	Pratt, Reilly, and Schweihs	2000	*Valuing a Business, Fourth Edition*
Book	Association of Insolvency and Restructuring Advisors	7/1/2008	*CDBV Study Course, Part 3: Application of Business Valuation Concepts to Bankruptcy and Other Distressed Situation*
Book	Weil, Wagner, Frank	2001	*Litigation Services Handbook: The Role of the Financial Expert, Third Edition*
Book	Damodaran	2001	*The Dark Side of Valuation : Valuing Old Tech, New Tech, and New Economy Companies, Second Edition*
Code of Ethics	Turnaround Management Association	2006	
Report	The Debtors	3/31/2010	10-K filing with the SEC
Report	The Debtors	5/24/2010	First Amended Plan of Reorganization and associated Disclosure Statement
Report	The Debtors	5/24/2010	CCAA Plan and associated CCAA Disclosure Statement
Report	The Debtors	Various	Monthly Operating Reports (MORs)
Reports	Various	Various	Miscellaneous documents provided in the Debtors' bankruptcy docket
Report	Morningstar, Inc.	2009	*2009 Duff & Phelps, LCC Risk Premium Report*
Report	Morningstar, Inc.	2009	*2009 Duff & Phelps, LCC Risk Premium Report, High Financial Risk Portfolio Supplement*
Report	R. Grabowski	February 2009	*Problems with Cost of Capital Estimation in the Current Environment - Update*
Report	A. Damodaran	September 2008 (with an October update reflecting the market crisis)	*Equity Risk Premiums (ERP): Determinants, Estimation and Implications*
Report	S. Pratt and R. Grabowski	January / February 2009	*Cost of Capital in Valuation of Stock by the Income Approach: Updated for an Economy in Crisis*
Rule 201 & 202	American Institute of CPAs	1/12/1988	AICPA Code of Professional Conduct
Special Report	American Institute of CPAs	2003	Litigation Services and Applicable Professional Standards
Standards	American Institute of CPAs	2004	Statement on Standards for Consulting Services No. 1
Study	Business Valuation Resources, LLC	6/30/2010	List of acquisition transactions for use in NHB's research of comparable transactions
Documents, general			Any documents mentioned or alluded to in the Report