

**EXHIBIT C TO  
BACKSTOP COMMITMENT AGREEMENT**

**ABITIBIBOWATER INC.**

**TERM SHEET FOR NEW CONVERTIBLE NOTES**

All terms used and not defined herein shall have the meanings ascribed to them in the Backstop Commitment Agreement. In the event of any inconsistency between this Exhibit C and the Backstop Commitment Agreement, the Backstop Commitment Agreement shall control.

<b>Terms of New Notes</b>	
<b>Issuer:</b>	AbitibiBowater Inc., a holding company incorporated under the laws of the United States or Canada, as formed or reorganized pursuant to the Plans (the “ <u>Company</u> ”).
<b>Form of Offering:</b>	The Debtors will issue rights to purchase new notes (the “ <u>New Notes</u> ”) of the Company (the “ <u>Rights</u> ”) to Eligible Holders of Eligible Claims against the Debtors in connection with the Plans (the “ <u>Rights Offering</u> ”). The Rights Offering terms are described in the Backstop Commitment Agreement.
<b>Issue Amount:</b>	<p>New Notes (which collectively shall consist of \$1145 Notes and Backstop Notes (each as hereinafter defined)) to be issued in an amount (the “<u>Amount</u>”) not to exceed the lesser of:</p> <ul style="list-style-type: none"><li>A) US\$500 million; and</li><li>B) the sum of:<ul style="list-style-type: none"><li>(i) US\$325 million; and</li><li>(ii) US\$1,400 million less the sum of the Available Cash (as defined below) of the Company as of the Effective Date and aggregate principal amount of term indebtedness outstanding under the Exit Financing Facilities (as described in the Plans) and any other available facilities at such time.</li></ul></li></ul> <p>The Amount is subject to further reduction by the amount of Liquidity (as defined below) of the Company at the Effective Date in excess of \$600 million. Any such reduction will be made as provided by the Backstop Commitment Agreement. Available Cash and Liquidity shall have the meaning set forth in the Backstop Commitment Agreement.</p>
<b>Purchase Price:</b>	100% of the principal amount.

<b>Upfront Payment:</b>	The Company will pay to each Eligible Holder that subscribes to Rights to purchase New Notes an amount equal to 4% of the aggregate principal amount of such New Notes on the Effective Date, upon issuance of the New Notes.
<b>Coupon:</b>	<p>10%, payable semi-annually in arrears commencing on the date that is six months after the Closing Date, computed on the basis of a 360-day year composed of twelve 30-day months.</p> <p>Subject to any required regulatory approval and provided no event of default has occurred and is continuing, with respect to any interest period, the Company shall have the option to pay half (i.e., 5%) of such interest by issuing additional New Notes ("<u>PIK Notes</u>"), <i>provided</i> that if the Company so elects to pay half of the coupon in PIK Notes, the portion of the coupon so payable with respect to such interest period shall be 6% rather than the 5% that would have been payable by the Company had it paid in cash.</p>
<b>Use of Proceeds:</b>	The proceeds from the issuance and sale of the New Notes shall be used to fund the Debtors' cash needs in connection with consummation of the Plans.
<b>Closing Date:</b>	The date of the consummation of the Plans in form and substance reasonably acceptable to the Investors and consistent with the Backstop Commitment Agreement, and this New Notes Term Sheet (the " <u>Closing</u> "), which date shall be the later to occur of (A) October 15, 2010 and (B) the date that is the earlier to occur of (x) December 31, 2010 and (y) the latest date on which any of the Company's commitments for Exit Financing Facilities are scheduled to expire so long as the Company's commitments for the Exit Financing Facilities are acceptable to Majority Investors (as defined in the Backstop Commitment Agreement).
<b>Investors:</b>	<p>The Company shall offer New Notes to the Eligible Holders (such New Notes being collectively referred to as the "<u>\$1145 Notes</u>"), with each of the Eligible Holders entitled to purchase the New Notes (such purchasing Eligible Holders, collectively, the "<u>New Notes Investors</u>") on the terms set forth in the Backstop Commitment Agreement.</p> <p>The Investors shall enter into agreement(s) to subscribe, in accordance with <u>Schedule 1(h)</u> to the Backstop Commitment Agreement, for any portion of the New Notes not subscribed for by the Eligible Holders (the "<u>Backstop Notes</u>"). As consideration for their commitment to subscribe for such Backstop Notes, the Investors shall be entitled to receive the payments as set forth in, and in accordance with the terms of, the Backstop Commitment Agreement.</p>
<b>Exemptions / Transfer:</b>	The issuance of Rights to the creditors and the exercise of the Rights are intended to be exempt from registration under the Securities Act pursuant

	<p>to Section 1145 of the Bankruptcy Code and exempt from any prospectus requirement under corresponding Canadian securities laws exemptions.</p> <p>The amount of New Rights that each Eligible Holder may subscribe for in the Rights Offering may be decreased by the Issuer to the extent required to allow the Rights Offering to be exempt from registration under the Securities Act pursuant to Section 1145 of the Bankruptcy Code.</p> <p>After the consummation of the Rights Offering, subject to applicable securities laws, the New Notes Investors and their respective permitted transferees shall have the right to transfer freely the §1145 Notes or the Common Shares received upon conversion of the §1145 Notes at any time.</p> <p>The issuance of Backstop Notes to the Investors pursuant to the Backstop Commitment Agreement is intended to be exempt from Securities Act registration under Section 4(2) of the Securities Act and exempt from any prospectus requirement under Canadian securities laws. After consummation of the Rights Offering, the Backstop Notes may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act or any applicable state laws or pursuant to a registration statement.</p>
<b>Denomination:</b>	New Notes shall be issued in a minimum denomination of US\$1.00 per New Note (and integral multiples thereof).
<b>Conversion Price:</b>	<p>The New Notes shall be convertible as described below into the common stock, par value \$0.001 per share, of the Company (the “<u>Common Shares</u>”) at the Conversion Price.</p> <p>The “<u>Conversion Price</u>” shall equal (x) \$1,800 million (plus any consideration to be received upon issuance of Common Shares outstanding on a fully-diluted basis on the Effective Date after giving effect to the consummation of the Plans, other than Common Shares issuable upon conversion of the New Notes and any Common Shares issued as part of the backstop payment described below) divided by (y) the number of Common Shares outstanding on a fully diluted basis on the Effective Date after giving effect to the consummation of the Plans, other than Common Shares issuable upon conversion of the New Notes and any Common Shares issued as part of the backstop payment described below, the issuance of which would be anti-dilutive as of the Effective Date.</p>
<b>Maturity Date:</b>	The New Notes will mature seven (7) years from the date of Closing (the “ <u>Issue Date</u> ”).
<b>Guarantees:</b>	The New Notes will be guaranteed by the wholly-owned U.S. subsidiaries of the Company (the “ <u>Guarantees</u> ”).

<b>Ranking:</b>	<p>The New Notes and the Guarantees shall be subordinated in right of payment to the Company's and the Guarantors' obligations under the Company's Exit Financing Facilities, which may include unsecured financings (or replacements or refinancings thereof), and any other unsecured or secured senior debt in an amount not to exceed \$200 million in the aggregate. Except as provided in the preceding sentence, the New Notes and the Guarantees shall be pari passu in right of payment with all senior unsecured obligations of the Company or the relevant Guarantor.</p>
<b>Conversion Rights:</b>	<p>The New Notes will be convertible at the option of the holder (i) in the event of a redemption at the option of the Company, and otherwise, (ii) after the 6-month period following the Issue Date, and in each case, prior to the close of business on the earlier of the Maturity Date and the last business day immediately preceding any date fixed for redemption, into a number of Common Shares based on the Conversion Price, as adjusted from time to time. Holders of the Backstop Notes will receive restricted Common Shares under U.S. securities laws upon conversion of the Backstop Notes and will not be able to convert unless they are eligible to receive the Common Shares in accordance with applicable law.</p> <p>Upon conversion, holders of New Notes will receive a separate payment for accrued and unpaid interest to, but excluding, the date of conversion, except as described below.</p> <p>If New Notes are converted after a regular record date for the payment of interest, holders of record of such New Notes will receive all of the interest payable on such New Notes on the corresponding interest payment date notwithstanding the conversion. New Notes, upon surrender for conversion during the period beginning after any record date to the immediately following interest payment date, must be accompanied by funds equal to the amount of interest that would accrue from the date of conversion to, but excluding, the interest payment date, unless (i) such New Notes have been called for redemption by the Company or (ii) such interest payment date is the maturity date of the New Notes.</p>
<b>Conversion Adjustments:</b>	<p>The indenture will provide for the adjustment of the Conversion Price in certain events including, without limitation,</p> <ul style="list-style-type: none"> <li>(i) the subdivision or consolidation of the outstanding Common Shares;</li> <li>(ii) the issue of Common Shares or securities convertible into Common Shares by way of stock dividend or other distribution;</li> <li>(iii) the issue of rights, options or warrants with an exercise period of less than 60 days to all of the holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then market price;</li> <li>(iv) the distribution to all holders of Common Shares of any other securities or assets (including through a spin-off);</li> </ul>

	<p>(v) the payment to all holders of Common Shares in respect of an issuer tender offer or exchange offer for Common Shares by the Company to the extent that the market value of the payment exceeds the then market price of the Common Shares on the date of expiry of the bid; and</p> <p>(vi) the payment of cash dividends that exceed ordinary-course periodic dividends on the Common Shares.</p>
<b>Redemption:</b>	<p><u><b>Mandatory:</b></u> In the event of an Asset Sale (to be defined) with more than \$100 million of net cash proceeds from such Asset Sale, occurring within six months after the Issue Date, the Company shall apply the net cash proceeds from such Asset Sale to redeem New Notes at a price equal to 105% of the par value of the New Notes, plus accrued and unpaid interest to the redemption date; provided that (i) in the case of each such Asset Sale, the Company has minimum Liquidity, after giving effect to such Asset Sale and application of the net cash proceeds thereof, of at least \$600 million, and (ii) the Company is permitted to make such redemption by the agreements governing its outstanding indebtedness, which the Company will use commercially reasonable efforts to permit such redemption, subject to compliance with the foregoing liquidity requirement.</p> <p><u><b>Optional:</b></u> During the period commencing on the 61<sup>st</sup> day following the Issue Date and ending on the first interest payment date, if US\$100 million or less of the New Notes are outstanding, the Company may, from time to time, optionally redeem such New Notes at a price of 105% of the par value of the New Notes, plus accrued and unpaid interest to the redemption date. Otherwise, three-year non-call, callable at the greater of Market and 110% of par in year 4, 112% of par in year 5, 115% of par in year 6 and par thereafter, in each case, plus accrued and unpaid interest to the redemption date.</p> <p>“<u><b>Market</b></u>” means a value to be determined by the Board, which will retain a nationally recognized investment bank to make a reasonable determination of market value, which will assume, among other factors, a 35% volatility and a market price for the Common Share based on the trailing 20-day VWAP on the Primary Trading Market immediately prior to the date of the notice of the call.</p>
<b>Fundamental Change:</b>	<p>Upon a Fundamental Change (as defined below), holders of the New Notes will have the right to require the Company to repurchase their New Notes, in whole or in part, at a price equal to the accreted value of the principal amount of the New Notes based on the original issue price (less the Upfront Payment) plus accrued and unpaid interest thereon to such repurchase date.</p> <p>A “<u><b>Fundamental Change</b></u>” shall mean the occurrence of any of the following: (i) the acquisition of 50% or more of the Common Shares by any person or group, (ii) a merger, sale of all or substantially all of the Company’s assets, share exchange or recapitalization the result of which less than 50% of common equity of the continuing entity is held by holders</p>

	<p>of the common equity of the Company immediately prior to such transaction, (iii) a majority of directors cease to be “continuing directors” as customarily defined, (iv) stockholders of the Company approve a plan of liquidation or dissolution of the Company, or (v) after the Common Shares are listed, they cease to be listed, <u>provided, however</u>, a Fundamental Change under clause (i) or (ii) shall not be deemed to have occurred if at least 90% of the consideration received or to be received by holders of Common Shares, excluding cash payments for fractional shares, in connection with the transaction or transactions constituting the Fundamental Change consists of shares of common stock, American Depositary Receipts, American Depositary Shares (or other similar instruments) traded on a national securities exchange in the United States or Canada or which will be so traded or quoted when issued or exchanged in connection with a Fundamental Change (these securities being referred to as “<u>Publicly Traded Securities</u>”) and as a result of this transaction or transactions the debentures become convertible into such Publicly Traded Securities, excluding cash payments for fractional shares.</p>
<b>Covenants; Events of Default:</b>	<p>Will contain a customary SEC and Canadian Commission reporting covenant.</p> <p>Will contain events of default customary for market converts. Will permit the Company to elect that the sole remedy for a default caused by a failure to comply with the reporting covenant be the payment of additional interest on the Notes for up to 180 days, rather than acceleration.</p>
<b>Registration Rights for the Backstop Notes:</b>	<p>With respect to the Backstop Notes and the Common Shares issuable upon conversion thereof, the Company will:</p> <ul style="list-style-type: none"> <li>• file with SEC within 30 days after the earlier of (i) the date the Company becomes S-3 eligible (and has filed the information required by Part III of Form 10-K) and (ii) April 30, 2011, and</li> <li>• use commercially reasonable efforts to cause to become effective within 75 days after the earlier of (i) the date the Company becomes S-3 eligible (and has filed the information required by Part III of Form 10-K) and (ii) April 30, 2011,</li> </ul> <p>a shelf registration statement with respect to the resale of the Backstop Notes and the underlying Common Shares upon conversion of the Backstop Notes.</p> <p>If the Company fails to file such shelf registration statement or register the Backstop Notes and the underlying Common Shares upon conversion of the Backstop Notes by the dates set forth above, the Company will be required to pay additional interest of 0.25% per annum to the holders of the Backstop Notes until such time as the registration statement becomes effective.</p>

	The Company will keep the registration statement effective until the date that is two years from the date of effectiveness of the registration statement.
<b>Documentation and Listing:</b>	<p>The terms of the indenture, the form of New Notes, and other applicable documentation related to the New Notes are to be proposed by and in form and substance reasonably satisfactory to the Company and the Investors.</p> <p>Company will make an application to list the Common Shares to be issued pursuant to the Plans and upon conversion or otherwise on (i) either the NASDAQ or the NYSE and (ii) the TSX.</p>
<b>Choice of Law:</b>	New York.
<b>Backstop Payment:</b>	If as of the Effective Date the Backstop Commitment Agreement has not been terminated, the Backstop Payment shall be paid on the Effective Date in an amount equal to the greater of (x) \$15 million (payable in cash) and (y) 6% of the Amount (50% paid in cash and 50% in the form of Common Shares, based on the Conversion Price).
<b>Termination Payment:</b>	For termination after the date on which the Bankruptcy Court approves the Termination Payment but on or before the date on which the Bankruptcy Court or the Canadian Court approves the Backstop Commitment Agreement or an alternative transaction (such date, the “ <u>Approval Date</u> ”), the Termination Payment shall be an amount (not to be less than \$7.5 million) equal to the lesser of (x) \$15 million and (y) 5% of the capital raised in the alternative transaction. For termination after the Approval Date but on or before October 15, 2010, the Termination Payment shall be \$15 million. For termination after October 15, 2010, the Termination Payment shall be an amount equal to the greater of (x) \$15 million and (y) 6% of the Amount as in effect as of October 15, 2010 (payable in cash). In each case, the Termination Payment shall be payable upon consummation of the Plans or, if applicable, consummation of the alternative transaction. Additional conditions to payment of the Termination Payment shall be specified in the Backstop Commitment Agreement.