

AMENDMENT NO. 3 AND CONSENT
TO THE CREDIT AGREEMENT

Dated as of August 31, 2009

THIS AMENDMENT NO. 3 AND CONSENT TO THE CREDIT AGREEMENT (this "*Amendment*") is entered into by and among LAW DEBENTURE TRUST COMPANY OF NEW YORK, as Administrative Agent under the Credit Agreement referred to below (the "*Agent*"), ABITIBIBOWATER INC., a Delaware corporation ("*Parent*"), BOWATER INCORPORATED, a Delaware corporation ("*Bowater*"), BOWATER CANADIAN FOREST PRODUCTS INC., a Nova Scotia company ("*Bowater Canada*"), and together with the Parent and Bowater, the "*Borrowers*", and each of the Lenders under the Credit Agreement referred to below (the "*Lenders*").

PRELIMINARY STATEMENTS:

(1) Reference is made to that certain Senior Secured Superpriority Debtor In Possession Credit Agreement, dated as of April 21, 2009, as amended by Amendment No. 1 to the Credit Agreement dated as of June 5, 2009 and Amendment No. 2 to the Credit Agreement dated as of June 24, 2009 (the "*Credit Agreement*"), in connection with the Cases (as defined therein) by and among the Borrowers, the guarantors from time to time party thereto, the Lenders and the Agent. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

(2) Bowater Canada expects to receive net proceeds of approximately CAD\$28 million pursuant to a prepetition proceeds sharing agreement between Bowater Canada and Smurfit-Stone Container Corporation ("*Smurfit*") whereby Smurfit has agreed to pay Bowater Canada a portion of proceeds arising from the disposition of certain timberlands (the "*Smurfit Transaction*"), as described in the motion dated August 13, 2009 filed by Parent in the Cases (the "*Smurfit Motion*"). Bowater Canada seeks to use the proceeds of the Smurfit Transaction in connection with working capital and other general corporate purposes and has requested that the agent and lenders under the Credit Agreement dated as of May 31, 2006 by and among Bowater Canada, the guarantors party thereto, the lenders party thereto and The Bank of Nova Scotia, as administrative agent ("*Scotia*"), consent to such use of the proceeds by Bowater Canada.

(3) At Bowater's request, Wachovia Bank, N.A. ("*Wachovia*") issued a letter of credit dated as of June 2, 2003 under certain of Bowater's prepetition secured credit facilities (the "*Letter of Credit*"), obligating Wachovia to honor amounts requested by the trustee (the "*Trustee*") under an Indenture of Trust, dated as of June 1, 1999 in respect of certain industrial revenue bonds issued by McMinn County, Tennessee (the "*Indenture*"). Bowater seeks to reimburse Wachovia for payments made by Wachovia to the Trustee in accordance with the Letter of Credit for quarterly interest amounts due on certain bonds issued under the Indenture, as described in the stipulation (the "*IRB Stipulation*") attached hereto as Exhibit A.

(4) The parties to the Credit Agreement have agreed to make certain amendments and consents thereto as set forth below.

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment and Consent. Effective as of the date hereof, subject to the satisfaction of the conditions precedent set forth in Section 2 hereof.

(a) Investments in Foreign Sales Offices. Section 5.02(g)(iii) of the Credit Agreement is hereby amended by (i) replacing the word “and” appearing before clause (C) therein with a comma and (ii) adding a new clause (D) prior to the first semicolon set forth therein which shall read as follows: “and (D) any Credit Party in any non-Credit Party foreign sales office to the extent that such Investments are used to fund the reasonable expenses of one or more sales offices of such non-Credit Party in the ordinary course of business consistent with past practice and not to exceed US\$2,000,000 in the aggregate in any calendar year”.

(b) Smurfit Transaction. The Lenders hereby consent to the consummation of the Smurfit Transaction by Bowater Canada on the terms and conditions described in the Smurfit Motion and, in connection therewith, hereby waive (i) Section 5.02(h) of the Credit Agreement to the extent that such section would prohibit the Smurfit Transaction as an Asset Disposition and (ii) Section 2.04(i) of the Credit Agreement to the extent that such section would require the Net Cash Proceeds received by Bowater Canada in connection with the Smurfit Transaction to be used to make a mandatory prepayment of the Advances; provided, however, that, anything herein or in the Loan Documents to the contrary notwithstanding, (x) Bowater Canada may not transfer any such proceeds to the Parent, the Borrowers or any Subsidiary thereof (unless such Subsidiary is a Subsidiary of Bowater Canada) and (y) in the event Bowater Canada seeks approval from the U.S. Bankruptcy Court or the Canadian Bankruptcy Court to permit Bowater Canada to pay a fee (a “*Consent Fee*”) to Scotia or any lender under the Existing Canadian Facility in connection with any consensual agreement regarding the application of proceeds from the Smurfit Transaction, Bowater Canada shall also seek approval from the U.S. Bankruptcy Court and the Canadian Bankruptcy Court to pay the Agent for the account of the Lenders an amount equal to the Consent Fee.

(c) McMinn County Industrial Revenue Bonds. The Lenders hereby (i) consent to the Stipulation and (ii) consent to Wachovia debiting Bowater’s accounts maintained at Wachovia to reimburse drawings made under the Letter of Credit for the payment of regularly scheduled quarterly interest payable pursuant to the Indenture, in an aggregate amount not to exceed US\$1,000,000 in any 12-month period.

SECTION 2. Conditions Precedent. This Amendment shall become effective as of the date hereof when, and only when, (a) the Agent shall have received counterparts of this Amendment executed by each of the parties hereto and (b) solely with respect to the provisions of Section 1(b) hereof, when the U.S. Bankruptcy Court shall have entered an order reasonably acceptable to the Lenders in all respects, which shall authorize and approve the Smurfit Transaction, and such order shall not have been vacated, reversed or stayed or, without the consent of the Required Lenders, modified or amended.

SECTION 3. Representations and Warranties of the Borrowers. Each of the Borrowers hereby represents and warrants to the Agent and the Lenders as follows:

(a) Subject to the terms of the DIP Financing Orders, the execution, delivery and performance by such Borrower of this Amendment and the Credit Agreement (as amended hereby), and the transactions contemplated hereby and thereby, are within such Borrower’s corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) such Borrower’s charter or by-laws or (ii) any law or contractual restriction binding on or affecting such Borrower, and do not result in or require the creation of any Lien upon or with respect to any of its properties.

(b) Except as is required in connection with the Cases, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by such Borrower of this Amendment or the Credit Agreement (as amended hereby), or for the perfection of or the exercise by the Agent or any Lender of their respective rights and remedies under the Loan Documents (as amended hereby).

(c) Subject to the terms of the DIP Financing Orders, this Amendment and the Credit Agreement (as amended hereby) have been duly executed and delivered by such Borrower. Subject to the terms of the DIP Financing Orders, this Amendment, together with the Credit Agreement (as amended hereby), are the legal, valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and to general equitable principles.

(d) After giving effect to this Amendment, no Default or Event of Default as defined in any Loan Document has occurred and is continuing or would result from such Borrower's execution, delivery or performance of its obligations under this Amendment or any Loan Document (as amended hereby).

SECTION 4. Reference to and Effect on the Loan Documents, Etc.

(a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in each of the other Loan Documents to the Credit Agreement, "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) The Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

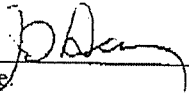
SECTION 6. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York and, to the extent applicable, the Bankruptcy Code.

[Signature pages follow]

IN WITNESS WHEREOF, the undersigned have caused this Consent to be executed by their respective officers thereunto duly authorized, as of the date first above written.

Very truly yours,

LAW DEBENTURE TRUST COMPANY
OF NEW YORK, as Administrative Agent and
Collateral Agent

By: 
Name: _____
Title:

James D. Heaney
Managing Director

Required Lenders:

AVENUE INVESTMENTS, L.P., as a Lender

By: _____
Name:
Title:

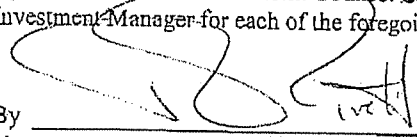
ODYSSEY AMERICA REINSURANCE
CORPORATION, as a Lender

NSPIRE RE LIMITED, as a Lender

TIG INSURANCE COMPANY, as a Lender

THE NORTH RIVER INSURANCE COMPANY,
as a Lender

By: Hamblin Watsa Investment Counsel Ltd., as
Investment Manager for each of the foregoing


By: _____
Name:
Title:

IN WITNESS WHEREOF, the undersigned have caused this Consent to be executed by their respective officers thereunto duly authorized, as of the date first above written.

Very truly yours,

LAW DEBENTURE TRUST COMPANY
OF NEW YORK, as Administrative Agent and
Collateral Agent

By: _____
Name:
Title:

Required Lenders:

AVENUE INVESTMENTS, L.P., as a Lender
By: AVENUE PARTNERS, LLC, ITS GENERAL PARTNER
By: _____
Name: SOVI A GARIBEEV
Title: MEMBER

ODYSSEY AMERICA REINSURANCE
CORPORATION, as a Lender

NSPIRE RE LIMITED, as a Lender

TIG INSURANCE COMPANY, as a Lender

THE NORTH RIVER INSURANCE COMPANY,
as a Lender

By: Hamblin Watsa Investment Counsel Ltd., as
Investment Manager for each of the foregoing

By _____
Name:
Title:

Borrowers:

ABITIBIBOWATER INC.

By: W. S. Hargy
Title:
Name:

BOWATER INCORPORATED

By: W. S. Hargy
Title:
Name:

BOWATER CANADIAN FOREST PRODUCTS INC.

By: W. S. Hargy
Title:
Name:

EXHIBIT A

[IRB STIPULATION - SEE ATTACHED]

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: : Chapter 11
: :
ABITIBIBOWATER INC., *et al.* : Case No.: 09-11296 (KJC)
: :
Debtors. :
: :
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**STIPULATION AND ORDER BETWEEN DEBTORS AND WACHOVIA BANK N.A.
CLARIFYING THE FINAL CASH MANAGEMENT ORDER**

A. On June 1, 1999, Bowater Incorporated ("Bowater"), a debtor and debtor-in-possession in the above referenced Chapter 11 cases (the "Debtor", together with the other debtors and debtors-in-possession in the above referenced Chapter 11 cases, the "Debtors") entered into various agreements relating to the issuance of \$33,500,000 of Tax-Exempt Adjustable Mode Solid Waste Disposal Facilities Revenue Bonds (Bowater Incorporated Project) Series 1999 (the "IRB Bonds") for the purpose of funding the costs of acquiring, constructing, installing and equipping certain solid waste disposal facilities located in the County of McMinn, Tennessee, and to be owned and operated by Bowater (the "Project"). Pursuant to the Indenture of Trust, dated as of June 1, 1999 (the "Indenture"), made and entered into by and between The Industrial Development Board of the County of McMinn ("Issuer") and First-Citizens Bank & Trust Company (the "Trustee"), the Issuer issued the IRB Bonds.

B. The Issuer and Bowater entered into a Loan Agreement, dated as of June 1, 1999, pursuant to which the Issuer lent the proceeds of the IRB Bonds to Bowater to finance the Project and, at the request of Bowater, Wachovia Bank, N.A. ("Wachovia") issued a letter of credit in the face amount of \$34,761,834 under certain of Bowater's prepetition secured credit facilities, for the benefit of the Trustee (the "Letter of Credit"), obligating Wachovia to honor the

Trustee's request for payment on the Letter of Credit to fund certain amounts owed under the Indenture.

C. The Letter of Credit is issued and outstanding under that certain Credit Agreement, dated as of May 31, 2006, as amended by that certain First Amendment dated as of July 20, 2007, that certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, that certain Fifth Amendment dated as of April 30, 2008, that certain Sixth Amendment dated as of June 30, 2008, that certain Seventh Amendment and Waiver dated as of August 7, 2008, that certain Eighth Amendment and Waiver dated as of November 12, 2008 and that certain Ninth Amendment and Consent dated as of February 27, 2009; and as further modified by letter agreements dated March 17, 2009, March 23, 2009, March 31, 2009 and April 6, 2009 and as otherwise modified as of the date hereof (the "Prepetition Credit Facility"), among Bowater, Bowater Alabama LLC, Bowater Newsprint South LLC and Bowater Newsprint South Operations LLC, the guarantors named therein, the lenders and financial institutions from time to time party thereto and Wachovia, as administrative agent.

D. The interest payable on the IRB Bonds is currently less than 1 percent per annum. In the normal course, quarterly payments of approximately \$46,000 of interest on the IRB Bonds would be accomplished by the Trustee making a draw under the Letter of Credit and Wachovia, as issuing bank, funding the amount requested by the Trustee. As part of Wachovia's cash management services to Bowater, Wachovia would reimburse itself for the draw on the Letter of Credit and, as a result of reimbursement, the face amount of the Letter of Credit would be reinstated.

E. The Trustee drew under the Letter of Credit on June 1, 2009 in the amount of \$45,532.47 for quarterly interest on the IRB Bonds. Consistent with its understanding that reimbursements of draws on the Letter of Credit constitute ordinary course cash management, on June 1, 2009, Wachovia debited \$45,532.47 from an account of Bowater maintained at Wachovia. On September 1, 2009, the parties expect the Trustee to draw on the Letter of Credit to pay the next quarterly interest payment due under the Indenture.

F. In the event amounts drawn on the Letter of Credit are not reimbursed, subject to the terms of the Indenture, the Trustee could draw under the Letter of Credit for the full principal amount of the IRB Bonds. The amount of drawings would constitute indebtedness outstanding under the Prepetition Credit Facility and would bear the higher rate of interest set forth in the Prepetition Credit Facility. The parties agree that it is in the best interests of the Debtors' estates to maintain the Letter of Credit for the benefit of the Trustee and to permit amounts payable under the Indenture to be funded by the Letter of Credit, with amounts paid by Wachovia to the Trustee under the Letter of Credit being reimbursed by Bowater rather than Bowater incurring funded indebtedness under the Prepetition Credit Facility.

G. The parties seek to supplement the Final Order (a) Authorizing Continued Use of Existing Consolidated Cash Management System, Bank Accounts and Business Forms; (b) Authorizing the Continuation of Certain Intercompany Transactions; (c) Granting Administrative Priority Status to Postpetition Intercompany Claims; (d) Granting a Limited and Interim Waiver of the Deposit Guidelines set forth in Section 345 of the Bankruptcy Code; and (e) Granting Related Relief, entered by this Court on June 22, 2009 (Docket No. 522, the "Final Cash Management Order") to clarify that Wachovia is permitted under the terms of the Final

Cash Management Order to debit Bowater's account maintained at Wachovia for any drawing by the Trustee on the Letter of Credit to pay quarterly interest due on the IRB Bonds.

NOW, THEREFORE, it is hereby stipulated and agreed between Bowater and Wachovia as follows:

1. This Stipulation shall have no force and effect unless and until approved by an Order of the Bankruptcy Court.
2. Effective as of June 1, 2009, and continuing thereafter, unless modified by further order of this Court, pursuant to the Final Cash Management Order, Wachovia shall be authorized to reimburse itself for draws under the Letter of Credit on account on quarterly interest payments on the IRB Bonds by debiting an account of Bowater as part of Wachovia's cash management services to Bowater.
3. The parties agree that except as set forth in paragraph 2 above or as expressly provided by an another order of this Court, the Final Cash Management Order does not permit Wachovia or any other issuing bank to apply amounts on deposit in the Debtors' accounts to reimburse amounts drawn on letters of credit issued and outstanding under prepetition credit facilities.

SO STIPULATED AND AGREED:

Dated: Wilmington, Delaware
August 27, 2009

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