

CANADA

SUPERIOR COURT

PROVINCE OF QUÉBEC
DISTRICT OF
MONTRÉAL

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

No.: 500-11-036133-094

**IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF:**

ABITIBIBOWATER INC., a legal person incorporated under the laws of the State of Delaware, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And

ABITIBI-CONSOLIDATED INC., a legal person incorporated under the laws of Canada, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And

BOWATER CANADIAN HOLDINGS INC., a legal person incorporated under the laws of the Province of Nova Scotia, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And

the other Petitioners listed on Appendices "A", "B" and "C";

Petitioners

And

ERNST & YOUNG INC., a legal person under the laws of Canada, having a place of business at 800 René-Lévesque Blvd. West, Suite 1900, in the City and District of Montréal, Province of Quebec, H3B 1X9;

Information Officer

**THIRD REPORT OF THE INFORMATION OFFICER
October 16, 2009**

INTRODUCTION

1. On April 16, 2009, AbitibiBowater Inc. (“**ABH**”), Bowater Inc. (“**BI**”), and certain of their direct and indirect U.S. and Canadian subsidiaries, including Bowater Canadian Holdings Incorporated (“**BCHI**”), Bowater Canadian Forest Products Inc. (“**BCFPI**”) (collectively referred to herein as “**U.S. Debtors**”), filed voluntary petitions (collectively, the “**Chapter 11 Proceedings**”) for relief under Chapter 11 of the U.S. Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the “**U.S. Bankruptcy Code**”) in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Bankruptcy Court**”).
2. On April 17, 2009, Abitibi-Consolidated Inc. (“**ACI**”) and its subsidiaries (collectively with ACI, the “**Abitibi Petitioners**”) and BCHI and its subsidiaries (collectively with BCHI, the “**Bowater Petitioners**”) (the Abitibi Petitioners and the Bowater Petitioners are, together, the “**CCAA Petitioners**”) filed for and obtained protection from their creditors under the *Companies’ Creditors Arrangement Act* (the “**CCAA**” and the “**CCAA Proceedings**”) pursuant to an Order of this Honourable Court (the “**Initial Order**”). Pursuant to the Initial Order, Ernst & Young Inc. (“**EYI**”) was appointed as monitor of the Petitioners (the “**Monitor**”) under the CCAA.
3. On April 17, 2009, ABH and the petitioners listed on Appendix “C” hereto (collectively with ABH, the “**18.6 Petitioners**”) obtained Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11.
4. Pursuant to paragraph 78 of the Initial Order, EYI was appointed as the information officer in respect of the 18.6 Petitioners (the “**Information Officer**”).

PURPOSE

5. The Initial Order provides that the Information Officer shall report to this Honourable Court at least once every two months (or at such times or intervals as the Information Officer deems appropriate) with an outline of the status of the Chapter 11 Proceedings of the Section 18.6 Petitioners and such other information as the Information Officer believes to be material.

6. This is the Information Officer's third report (the "**Third Report**") and as such will provide an update on the Chapter 11 Proceedings since the Second Report of the Information Officer dated August 14, 2009 (the "**Second Report**").

TERMS OF REFERENCE

7. In preparing this Third Report, the Information Officer has received and relied upon publicly available information obtained from the U.S. Bankruptcy Court and from consultations with counsel to the U.S. Debtors.
8. Copies of all of the Information Officer Reports, in both English and French, and all motion records and Orders in the CCAA Proceedings are available on the Monitor's website at www.ey.com/ca/abitibibowater.
9. Copies of all of the U.S. Bankruptcy Court's orders are posted on the website for Epiq Bankruptcy Solutions LCC at <http://chapter11.epiqsystems.com/abitibibowater>.

BACKGROUND

10. ABH is one of the world's largest publicly traded paper and forest product companies. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. The ABH Group owns interests in or operates 23 pulp and paper mills, 29 sawmills (others have been permanently closed), 5 wood products facilities and 32 recycling facilities located in Canada, the United States, the United Kingdom and South Korea.
11. Incorporated in Delaware and headquartered in Montreal, Quebec, ABH functions as a holding company and its business is conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC, ACI and AbitibiBowater U.S. Holding LLC.
12. The CCAA Petitioners and the U.S. Debtors are all subsidiaries of ABH (ABH, collectively with its subsidiaries, the "**ABH Group**").

THE CHAPTER 11 PROCEEDINGS

13. As stated above, on April 16, 2009, the U.S. Debtors filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court.

14. Since the issuance of the Second Report, the Information Officer has been advised that the following significant orders have been entered by the U.S. Bankruptcy Court in the Chapter 11 Proceedings:
- (i) an order authorizing the U.S. Debtors to enter into a proceeds sharing agreement and wood fiber supply agreement with Smurfit-Stone Container Corp. and reject certain existing wood supply and harvesting agreements. A corresponding order has also been issued by this Honourable Court in the CCAA Proceedings; and
 - (ii) an order (the “**U.S. Bar Date Order**”) establishing a bar date (the “**Bar Date**”) of November 13, 2009 for the filing of proofs of claim and approving the form and manner of notice thereof as described in further detail herein. A corresponding order has also been issued by this Honourable Court establishing the Bar Date and approving the procedure for filing proofs of claim in the CCAA Proceedings.
15. Since the issuance of the Second Report, the Information Officer has been advised that the following significant motions are currently pending in the Chapter 11 Proceedings:
- (i) a motion for the sale of certain property located in Lufkin, Texas (the “**Lufkin Motion**”) pursuant to Sections 363(b), 105(a) and 365 of the U.S. Bankruptcy Code. In the Lufkin Motion, the U.S. Debtors seek authorization for Abitibi-Consolidated Corporation, a subsidiary of Donohue Corp., to: (i) enter into and perform all of its obligations under a purchase and sale agreement; (ii) enter into a lease relating to a paper machine, and (iii) assume, assign and transfer its interests in certain executory contracts. A hearing on the Lufkin Motion is scheduled for October 28, 2009;
 - (ii) a motion to compel the assumption or rejection of a sludge dewatering project agreement was filed by Turner Specialty Services LLC (the “**Turner Motion**”). The U.S. Debtors filed an objection to the Turner Motion asserting that it is an attempt to deprive the U.S. Debtors of the necessary time to conduct an orderly process of evaluating its executory contracts. The Turner Motion has been scheduled for the October 28, 2009 hearing;

- (iii) a motion by the U.S. Debtors for approval of a settlement compromise under Rule 2019 of the Bankruptcy Code with Augusta Newsprint Company (“**Augusta**”) to setoff mutual debts and modify the automatic stay;
 - (iv) a motion by the U.S. Debtors for authorization for Bowater Alabama LLC, a subsidiary of Bowater Newsprint South LLC, to enter into and perform its obligations under a real and personal property sale contract for the sale of certain assets located in Shelby County, Alabama; and
 - (v) a motion by the U.S. Debtors for authorization to assume certain unexpired leases for non-residential real property and setting cure amounts with respect to those properties.
16. The U.S. Bankruptcy Court has not yet issued a decision regarding the dispute in respect of the rejection of a certain call agreement related to Augusta. If the U.S. Debtors are not able to reject the call agreement by the end of October, certain provisions of the agreement provide that the U.S. Debtors may have to sell the whole partnership.
17. Augusta has also filed a motion for an administrative claim pursuant to section 503(b)(9) of the U.S. Bankruptcy Code for \$9,246,580.00. The Information Officer understands that Section 503(b)9 of the U.S. Bankruptcy Code provides that goods received by the U.S. Debtors in the 20 days preceding the petition date are entitled to priority treatment. A hearing on this motion is scheduled for October 28, 2009.
18. The Information Officer has also been advised that other administrative expense claims, fee applications and motions for relief from the stay continue to be resolved in the usual manner.

SETTLING OF INTERCOMPANY CLAIMS

19. As discussed in the Second Report, the U.S. Debtors continue to confer with the Monitor, the Unsecured Creditors’ Committee, the DIP Lenders, and the agents for the prepetition lenders under credit agreements of BI and BCFPI, regarding a proposed method for allocating and settling pre- and post-petition shared expenses (such as sales, general and administrative costs) and for making intercompany transfers. The relevant parties are still working on a methodology for the settling of intercompany claims in satisfaction of paragraph 4 of 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 the U.S. Bankruptcy Court on June 22, 2009. The deadline for the intercompany claims protocol is in the process of being extended to October 22, 2009.

CLAIMS PROCEDURES


20. The Bar Date has been established as November 13, 2009 at 4:00 pm for claims against both the U.S. Debtors and the CCAA Petitioners. The U.S. Bar Date Order establishes the procedures by which claims should be submitted in the Chapter 11 Proceedings. It further provides that creditors of any cross-border debtors (the “**Cross-Border Debtors**”)¹ must file claims pursuant to the procedures established in the CCAA Proceedings. The U.S. Debtors are working with the CCAA Debtors and the Monitor in order to coordinate claims adjudication procedures, which procedures will be subject to approval by the Canadian Court and the U.S. Bankruptcy Court.
21. Aurelius Capital Management L.P. and the U.S. Debtors entered a stipulation clarifying the Bar Date Order to ensure that claims asserted by or on behalf of BCFC against BI, BCHI, or any other U.S. Debtor would be considered intercompany claims pursuant to the U.S. Bar Date Order. The U.S. Bar Date Order provides that proofs of claim in respect of intercompany claims need not be filed at this time.

¹ The cross border debtors are Bowater Canada Finance Corporation (“**BCFC**”), BCHI, AbitibiBowater Canada Inc., BCFPI, Bowater Maritimes Inc., Bowater LaHave Corporation and Bowater Canada Limited.

All of which is respectfully submitted.

ERNST & YOUNG INC.
in its capacity as the Court Appointed Information Officer
of the Petitioners

Per:


Alex Morrison, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

John F. Barrett, CA, CIRP
Vice President

APPENDIX "A"

ABITIBI PETITIONERS

1. Abitibi-Consolidated Company of Canada
2. Abitibi-Consolidated Inc.
3. 3224112 Nova Scotia Limited
4. Marketing Donohue Inc.
5. Abitibi-Consolidated Canadian Office Products Holding Inc.
6. 3834328 Canada Inc.
7. 6169678 Canada Inc.
8. 4042140 Canada Inc.
9. Donohue Recycling Inc.
10. 1508756 Ontario Inc.
11. 3217925 Nova Scotia Company
12. La Tuque Forest Products Inc.
13. Abitibi-Consolidated Nova Scotia Incorporated
14. Saguenay Forest Products Inc.
15. Terra Nova Explorations Ltd.
16. The Jonquière Pulp Company
17. The International Bridge and Terminal Company
18. Scramble Mining Ltd.
19. 9150-3383 Québec Inc.

APPENDIX "B"

BOWATER PETITIONERS

1. Bowater Canada Finance Corporation
2. Bowater Canadian Limited
3. Bowater Canadian Holdings. Inc.
4. 3231378 Nova Scotia Company
5. AbitibiBowater Canada Inc.
6. Bowater Canada Treasury Corporation
7. Bowater Canadian Forest Products Inc.
8. Bowater Shelburne Corporation
9. Bowater LaHave Corporation
10. St-Maurice River Drive Company Limited
11. Bowater Treated Wood Inc.
12. Canoxel Hardboard Inc.
13. 9068-9050 Québec Inc.
14. Alliance Forest Products Inc. (2001)
15. Bowater Belledune Sawmill Inc.
16. Bowater Maritimes Inc.
17. Bowater Mitis Inc.
18. Bowater Guérette Inc.
19. Bowater Couturier Inc.

APPENDIX "C"

18.6 PETITIONERS

1. AbitibiBowater US Holding 1 Corp.
2. AbitibiBowater Inc.
3. Bowater Ventures Inc.
4. Bowater Incorporated
5. Bowater Nuway Inc.
6. Bowater Nuway Mid-States Inc.
7. Catawba Property Holdings LLC
8. Bowater Finance Company Inc.
9. Bowater South American Holdings Incorporated
10. Bowater America Inc.
11. Lake Superior Forest Products Inc.
12. Bowater Newsprint South LLC
13. Bowater Newsprint South Operations LLC
14. Bowater Finance II, LLC
15. Bowater Alabama LLC
16. Coosa Pines Golf Club Holdings, LLC