

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;

Monitor

FORTY-FOURTH REPORT OF THE MONITOR
June 7, 2010

INTRODUCTION

1. On April 17, 2009, Abitibi-Consolidated Inc. (“**ACI**”) and its subsidiaries listed in Appendix “A” hereto (collectively with ACI, the “**ACI Petitioners**”) and Bowater Canadian Holdings Incorporated (“**BCHI**”) and its subsidiaries and affiliates listed in Appendix “B” hereto (collectively with BCHI, the “**Bowater Petitioners**”) (the ACI Petitioners and the Bowater Petitioners are collectively referred to herein as the “**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, as amended on May 6, 2009 (the “**Initial Order**”). Pursuant to an Order of this Honourable Court dated November 10, 2009, Abitibi-Consolidated (U.K.) Inc., a subsidiary of ACI, was added to the list of the ACI Petitioners.
2. Pursuant to the Initial Order, Ernst & Young Inc. (“**EYI**”) was appointed as monitor of the Petitioners (the “**Monitor**”) under the CCAA and a stay of proceedings in favour of the Petitioners was granted until May 14, 2009 (the “**Stay Period**”). The Stay Period has been subsequently extended to June 18, 2010 pursuant to further Orders of this Honourable Court.
3. On April 16, 2009, AbitibiBowater Inc. (“**ABH**”), Bowater Inc. (“**BI**”), and certain of their direct and indirect U.S. and Canadian subsidiaries, including BCHI and Bowater Canadian Forest Products Inc. (“**BCFPI**”) (collectively referred to herein as the “**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**”).
4. BCHI, Bowater Canada Finance Corporation, Bowater Canadian Limited, AbitibiBowater Canada Inc., BCFPI, Bowater LaHave Corporation and Bowater Maritimes Inc. have commenced both CCAA Proceedings and Chapter 11 Proceedings and are referred to herein collectively as the “**Cross-Border Petitioners**” and are also included in the definition of “**Petitioners**”.
5. The Petitioners are all subsidiaries of ABH (ABH, collectively with its subsidiaries, are referred to as the “**ABH Group**”).

6. 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 and EYI was appointed as the information officer in respect of the 18.6 Petitioners.
7. On April 16, 2009, ACI and ACCC filed petitions for recognition under Chapter 15 of the U.S. Bankruptcy Code. On April 21, 2009, the U.S. Bankruptcy Court granted the recognition orders under Chapter 15 of the U.S. Bankruptcy Code.
8. On April 22, 2009, the Court amended the Initial Order to extend the stay of proceedings to the partnerships (the “**Partnerships**”) listed in Appendix “D” hereto.

BACKGROUND

9. ABH is one of the world’s largest publicly traded pulp and paper manufacturers. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. The ABH Group owns interests in or operates pulp and paper facilities, wood products facilities and recycling facilities located in Canada, the United States, the United Kingdom and South Korea. The Petitioners’ United Kingdom subsidiary, Bridgewater Paper Company Ltd. (“**Bridgewater**”), filed for administration, pursuant to the United Kingdom’s Insolvency Act of 1986 on February 2, 2010. The UK administrator announced on May 19, 2010 that it had sold the property formerly owned by Bridgewater.
10. 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 (“**Newsprint South**”) (BI, Newsprint South and their respective subsidiaries are collectively referred to as the “**BI Group**”), ACI (ACI and its subsidiaries are collectively referred to as the “**ACI Group**”) and AbitibiBowater US Holding LLC (“**ABUSH**”) (ABUSH and its respective subsidiaries are collectively referred to as the “**DCorp Group**”).
11. ACI is a direct and indirect wholly-owned subsidiary of ABH.
12. ABH wholly owns BI which in turn, wholly owns BCHI which, in turn, indirectly owns BCFPI which carries on the main Canadian operations of BI.

13. ACCC, a wholly-owned subsidiary of ACI, and BCFPI hold the majority of ABH's Canadian assets and operations.

PURPOSE

14. This is the forty-fourth report of the Monitor (the "**Forty-Fourth Report**") in these CCAA Proceedings, the purpose of which is to report to this Honourable Court with respect to the following:

- (i) the revised cash flow forecasts for the ACI Group and BCFPI for the thirteen-week period ended August 29, 2010;
- (ii) an update on the Claims Process (as defined herein) and the Monitor's recommendations with respect to the Late Claims and the Scheduled Claims (each as defined herein)¹;
- (iii) the restructuring initiatives undertaken by the Petitioners since March 9, 2010, the date of the Thirty-Fifth Report of the Monitor (the "**Thirty-Fifth Report**"), which was filed in support of the Petitioners' Motion to extend the Stay Period to June 18, 2010;
- (iv) the Monitor's recommendation regarding the Petitioners' Motion to extend the Stay Period to July 30, 2010;
- (v) the Petitioners' Motion for approval of the Securitization Amendments (as defined herein);
- (vi) the Petitioners' Motion for authorization to enter into the Backstop Commitment Agreement (as defined herein), with respect to a rights offering for the issuance of unsecured convertible notes, in an amount not to exceed \$500 million, that will be made available to affected unsecured creditors pursuant to the CCAA Plan and the U.S. Plan (each as defined herein), and to make certain payments thereunder, and to approve the Bid Procedures (as defined herein) in connection therewith; and

¹ The Monitor understands that the Petitioners will be filing a motion in the near future with respect to the treatment of the Late Claims and the Scheduled Claims.

- (vii) the Monitor's comments in respect of the Backstop Commitment Agreement, the payments thereunder and the Bid Procedures.

TERMS OF REFERENCE

15. In preparing this Forty-Fourth Report, the Monitor has been provided with and, in making comments herein, has relied upon unaudited financial information, the ABH Group's books and records, financial information and projections prepared by the ABH Group and discussions with management of the ABH Group (the "**Management**"). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Forty-Fourth Report. Some of the information referred to in this Forty-Fourth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this Forty-Fourth Report was prepared by the ABH Group based on Management's estimates and assumptions. Readers are cautioned that, since these projections are based upon assumptions about future events and conditions the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
16. Capitalized terms not defined in this Forty-Fourth Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in U.S. currency and are translated at a rate of CDN\$1.00=US\$0.98 unless otherwise noted.
17. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Forty-Fourth Report, and all motion records and Orders in the CCAA Proceedings will be available on the Monitor's website at www.ey.com/ca/abitibibowater. The Monitor has also established a bilingual toll-free telephone number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the CCAA Proceedings.

18. Copies of all of the U.S. Bankruptcy Court's orders are posted on the website for Epiq Bankruptcy Solutions LCC ("Epiq") at <http://chapter11.epiqsystems.com/abitibibowater>. The Monitor has included a link to Epiq's website from the Monitor's website.

ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE ACI GROUP AND BCFPI FOR THE FOUR-WEEK PERIOD ENDED MAY 30, 2010

19. In the Forty-Third of the Monitor dated June 4, 2010 (the "**Forty-Third Report**"), the Monitor reported on the Petitioners' four-week cash flow results for the period from April 5, 2010 to May 2, 2010 and the revised weekly cash flow forecast for the ACI Group (the "**ACI Forecast**") and BCFPI (the "**BCFPI Forecast**") through the week ending August 1, 2010.
20. Below is a summary of the ACI Group's actual receipts and disbursements for the four-week period ending May 30, 2010 with a comparison to the ACI Forecast presented in the Forty-Third Report.

The ACI Group				
	US\$000			
	Actual	Forecast	Variance	
Opening Cash	\$ 212,798	\$ 212,798	\$ -	-
Receipts	186,273	178,646	7,627	4%
Disbursements				
Net Trade Disbursements	(110,165)	(101,924)	(8,241)	(8%)
Intercompany	(15,664)	-	(15,664)	N/A
Other	(77,233)	(79,528)	2,295	3%
	(203,062)	(181,452)	(21,610)	(12%)
Financing				
Securitization Inflows/ (Outflows)	(1,276)	(1,272)	(4)	(0%)
Adequate Protection by Deorp to ACCC Term				
Lenders	(2,968)	-	(2,968)	N/A
Restructuring & Other Items	(4,964)	(4,400)	(564)	(13%)
Foreign Exchange Translation	2,141	-	2,141	N/A
	(7,067)	(5,672)	(1,395)	(25%)
Net Cash Flow	(23,856)	(8,478)	(15,378)	(181%)
Ending Cash	\$ 188,942	\$ 204,320	\$ (15,378)	(8%)
Immediately Available Liquidity	\$ 241,216	\$ 272,635	\$ (31,419)	(12%)
Total Available Liquidity	\$ 311,826	\$ 342,745	\$ (30,919)	(9%)

21. In the chart above, “**Immediately Available Liquidity**” includes cash on hand plus liquidity available pursuant to the ULC DIP Facility Available Upon Notice (CDN\$50.0 million that is available as liquidity to the ACI Group subject to providing notice to certain creditors) and amounts available through the ACI Group’s Amended Securitization Program. “**Total Available Liquidity**” includes Immediately Available Liquidity plus the portion of the ULC DIP Facility Available Upon Court Approval (CDN\$50.0 million is available to the ACI Group subject to Court approval for the use of such funds) and also includes various proceeds from asset sales either held by the Monitor or deposited in a designated account.
22. Below is a summary of BCFPI’s actual receipts and disbursements for the four-week period ending May 30, 2010 with a comparison to the BCFPI Forecast presented in the Forty-Third Report.

BCFPI				
	US\$000			
	Actual	Forecast	Variance	
Receipts	\$ 50,811	\$ 43,799	\$ 7,012	16%
Disbursements				
Net Trade Disbursements	(32,913)	(29,928)	(2,985)	(10%)
Intercompany	4,185	-	4,185	N/A
Other	(19,387)	(11,345)	(8,042)	(71%)
	(48,115)	(41,273)	(6,842)	(17%)
Financing				
Interest	(1,169)	(1,411)	242	17%
Restructuring Costs	(615)	(1,276)	661	52%
Foreign Exchange Translation	682	-	682	N/A
	(1,102)	(2,687)	1,585	59%
Net Cash Flow	1,594	(161)	1,755	1,090%
Opening Cash	10,126	10,126	-	-
Ending Cash	<u>\$ 11,720</u>	<u>\$ 9,965</u>	<u>\$ 1,755</u>	18%

REVISED CASH FLOW FORECASTS

23. Attached as Appendices “E” and “F” are cash flow forecasts for the ACI Group and BCFPI, respectively, for the 13-week period ended August 29, 2010 (the “**Revised Forecasts**”).
24. The ACI Group’s forecast Immediately Available Liquidity at August 29, 2010, which is the end of the 13-week period in the forecast in Appendix “E”, is projected to be approximately \$206 million.
25. BCFPI’s forecast liquidity at August 29, 2010, which is the end of the 13-week period in the forecast in Appendix “F”, is projected to be approximately \$12 million. The Monitor has been advised by Management that the cash requirements of BCFPI will be supported by intercompany advances from BI, if necessary.

CLAIMS PROCESS UPDATE

Background

26. On August 26, 2009 this Honourable Court issued an Order (the “**Claims Procedure Order**”) setting out the procedures for the filing of certain claims against the Petitioners (the “**Claims Process**”).
27. Pursuant to the Claims Procedure Order, November 13, 2009 was established as the claims bar date (the “**Claims Bar Date**”) with respect to the filing of claims with the Monitor, with the exception of creditors holding certain specifically excluded claims.
28. By order dated September 3, 2009, the U.S. Bankruptcy Court entered an order establishing the same Claims Bar Date in the Chapter 11 Proceedings (the “**U.S. Claims Order**”).
29. On January 18, 2010, this Honourable Court approved the methodology applicable to the review and determination of claims filed against the Petitioners, the Partnerships and the Cross-Border Petitioners, as well as the Cross-Border Claims Protocol which specifically

addresses certain cross-border issues with respect to claims filed against the Cross-Border Petitioners (the “**Claims Determination Order**”).

30. On February 23, 2010 this Honourable Court issued an Order (the “**Second Claims Procedure Order**”) setting out the procedures for the filing of certain claims (primarily claims of employees who were active as of April 17, 2009 and restructuring claims) against the Petitioners and setting April 7, 2010 as the bar date for certain claims that were excluded from the Claims Procedure Order (the “**Second Claims Bar Date**”).
31. By Order dated February 18, 2010, the U.S. Bankruptcy Court issued an order establishing the same Second Claims Bar Date in the Chapter 11 Proceedings.
32. The Claims Procedure Order and the Second Claims Procedure Order are hereinafter referred to collectively as the “**Claims Procedure Orders**” and the Claims Bar Date and the Second Claims Bar Date are hereinafter collectively referred to as the “**Claims Bar Dates**”.

Claims Update

33. In the Forty-First Report of the Monitor dated May 5, 2010, the Monitor reported to this Honourable Court in respect of all proofs of claim that it had received against the Canadian Petitioners and the Cross-Border Petitioners as at that date.
34. Attached as Appendix “H” to the Forty-Second Report of the Monitor dated May 24, 2010 was a draft Information Circular with respect to the CCAA Plan (as defined herein). Included in the Information Circular was a table summarizing the claims and the current status of those claims by each class of unsecured creditor as defined in the CCAA Plan.
35. A table providing an update on the status of claims is attached hereto as Appendix “G” (the “**Claims Chart**”). The Monitor intends to update the Claims Chart on a weekly basis and post an updated Claims Chart on its website every Wednesday.
36. The claims reconciliation process is ongoing and progressing. The Monitor continues to review, revise and disallow claims, as applicable, and will report to this Honourable Court further on this process in subsequent reports.

Late Claims

37. The Monitor has received 109 claims subsequent to the Claims Bar Dates (the “**Late Claims**”). The Late Claims can be divided into two categories: Late Trade Claims and Late Employee Claims, which are summarized by entity in Appendices “H” and “I”, respectively.
38. The above total does not include any late claims filed by former employees who were not employed as of April 16, 2009 (the “**Inactive Employees**”). As reported in the Twenty-Seventh Report of the Monitor dated December 9, 2009 (the “**Twenty Seventh Report**”), the Monitor mailed out pre-populated proof of claim forms to the Inactive Employees who had not filed a claim by the First Claims Bar Date and advised them to complete and submit their claim by January 15, 2010. The Monitor has received 289 claims for a total of CDN\$6 million from the Inactive Employees (the “**Inactive Employee Late Claims**”) as set forth in the table below:

Inactive Employee Late Claims		
CDN \$		
	Number of Claims	Total Value
Abitibi-Consolidated Company of Canada	8	\$352,379
Abitibi-Consolidated Inc.	186	58,916
Bowater Canadian Forest Products Inc.	92	5,743,427
Bowater Maritimes Inc.	2	27,244
Saguenay Forest Products Inc.	1	1,529
	289	\$6,183,496

39. All of the Late Claims and the Inactive Employee Late Claims are already included in the Claims Chart attached as Appendix G.
40. The Monitor has reviewed the Late Claims and the Inactive Employee Late Claims and recommends that such claims be accepted for the purposes of the Claims Process,

provided that such claims be subject to the Claims Determination Order. The reasons for this recommendation are:

- (i) the Monitor is of the view that the claimants in respect of the Late Claims and the Inactive Employee Late Claims have acted in good faith and did not “lie in the weeds” with an intent to gain an advantage over the other creditors; and
- (ii) the Monitor is of the view that the other creditors will not suffer any prejudice as a result of the late filing of the Late Claims and the Inactive Employee Late Claims.

Scheduled Claims in the Chapter 11 Proceedings

- 41. Pursuant to the U.S. Claims Order, subject to certain exceptions, any person or entity asserting a claim against a U.S. Debtor in the Chapter 11 Proceedings was required to file a proof of claim so that it was actually received by Epiq, as the U.S. claims agent, on or before the Claims Bar Date (or the Second Claims Bar Date). However, any person or entity asserting a claim against a Cross-Border Petitioner in the Chapter 11 Proceedings was required to file a proof of claim pursuant to the Claims Procedure Order with the Monitor on or before the Claims Bar Date (or the Second Claims Bar Date). The U.S. Claims Order further provided that proofs of claim timely filed against any Cross-Border Petitioner with the Monitor shall be deemed timely filed against the applicable Cross-Border Petitioner(s) in the Chapter 11 Proceedings.
- 42. The Claims Procedure Orders also provided that a proof of claim timely filed against a Cross-Border Petitioner in accordance with the U.S. Claims Order is deemed to be a proof of claim that has been timely delivered to the Monitor in the CCAA Proceedings in accordance with the Claims Procedure Order.
- 43. Pursuant to the U.S. Bankruptcy Code, each U.S. Debtor is required to publish a listing of their creditors and the amount owed to each creditor (the “**Scheduled Claims**”). The amount owed to a creditor may be categorized as a disputed, contingent or unliquidated claim and, in such case, no amount may be listed. Pursuant to the U.S. claims process, if a Scheduled Claim is not listed as disputed, contingent or unliquidated and the creditor

does not contest the amount listed on the schedule, the creditor is not required to file a proof of claim in the Chapter 11 Proceedings and the claim will be deemed allowed in Chapter 11 Proceedings for the scheduled amount.

44. Under the U.S. Bankruptcy Code, the U.S. Debtors can file amended schedules to correct any errors to the Scheduled Claims as initially listed at the commencement of the Chapter 11 Proceedings. In the event a creditor disagrees with the amount so amended, it is able to file a proof of claim within a prescribed time period to dispute the amended amount and such claim will be dealt with in the U.S. claims process (this process is referred to herein as the “**Amended Schedule Process**”).
45. Under the Claims Procedure Orders, creditors of the Cross-Border Petitioners were required to file a proof of claim with the Monitor in accordance with the Claims Process and Scheduled Claims were not permitted to be automatically accepted for the purposes of the CCAA Proceedings. However, certain of the creditors of the Cross-Border Petitioners with Scheduled Claims did not file a proof of claim with the Monitor and, under the Claims Procedure Orders, such claims are forever barred (the “**Claims Delta**”).
46. As a result, when the Cross-Border Petitioners’ claims are finally determined pursuant to the Claims Determination Order, the total claims against the Cross-Border Petitioners under the Chapter 11 Proceedings will be greater than the total claims against the Cross-Border Petitioners under the CCAA Proceedings by the amount of the Claims Delta.
47. In order to rectify this difference and to ensure that the Claims Process is fair to all of the creditors, the Monitor will be recommending that the Scheduled Claims identified in the Claims Delta be deemed to be filed and accepted claims for the purposes of the CCAA Proceedings, subject to any amendments by the Cross-Border Petitioners of the Scheduled Claims as a result of the Amended Scheduled Process.
48. This will be administratively less burdensome upon the estates as it will eliminate the need to continually reconcile the claims register in the Chapter 11 Proceedings with the Monitor’s claims database for the Cross-Border Petitioners for purpose of voting on the

CCAA Plan, making distributions under the Plans and facilitating the Rights Offering (each as defined herein).

49. In the interest of ensuring that the Claims Process is fair, the Petitioners, with the assistance of the Monitor and their counsel, are developing a claims voting protocol with respect to the Cross-Border Petitioners to facilitate a simplified voting process under the Plans. If there are differences in the number of creditors eligible to vote under each of the CCAA Plan and the U.S. Plan (each as defined herein), the voting process will be more complicated and cumbersome.
50. The Monitor has conducted a preliminary review of the Scheduled Claims in respect of the Cross-Border Petitioners and has identified, to date, numerous claims totalling approximately CDN\$10.2 million for BCFPI and approximately 16 claims totalling approximately CDN\$1 million for Bowater Maritimes Inc. that were listed on the schedules in the Chapter 11 Proceedings, but in respect of which claims were not filed with the Monitor in the CCAA Proceedings. The Monitor will continue to refine this list and report further to this Honourable Court when the Petitioners bring their motion for recognition of the Scheduled Claims.

Claims Filed in the Wrong Jurisdiction

51. As at the date of this Forty-Fourth Report, the Monitor has identified numerous proofs of claim that have been filed with the Monitor against the Petitioners or the Cross-Border Petitioners that should have been filed in respect of the U.S. Debtors. These claims will be disallowed by the Monitor for the purposes of the CCAA Proceedings and copies of such claims will be sent to Epiq so that Epiq may address such claims in the Chapter 11 Proceedings.
52. In addition, the Petitioners and the Monitor have identified numerous proofs of claim filed with Epiq pursuant to the U.S. Claims Order that should have been filed against the Petitioners pursuant to the Claims Procedure Order in the CCAA Proceedings (the “**Misfiled Claims**”).

53. While the Claims Procedure Orders provide that claims filed with the Monitor against the Cross-Border Petitioners are deemed to be timely filed proofs of claim in the Chapter 11 Proceedings, the Claims Procedure Orders do not provide that proofs of claim filed in the Chapter 11 Proceedings against the Petitioners (including the Cross-Border Petitioners) or the Partnerships are deemed to be timely filed in the CCAA Proceedings.
54. The Monitor, in consultation with the Petitioners and U.S. Debtors and their respective legal counsel, has drafted a letter to be sent to the creditors who filed Misfiled Claims. A copy of the letter is attached as Appendix “J”. The purpose of the letter is to advise each creditor that it has filed a Misfiled Claim and to encourage it to voluntarily withdraw their claim in the Chapter 11 Proceedings and to authorize the transfer of the Misfiled Claim to the CCAA Proceedings. The Misfiled Claim will be considered a late claim and the Monitor will recommend to this Honourable Court that such claims be allowed in the CCAA Proceedings. If so allowed, the Misfiled Claim will then be subject to the Claims Determination Order.
55. The purpose of the letter is to present a fair solution to each creditor involved while attempting to resolve claims efficiently in the Chapter 11 Proceedings in accordance with the U.S. claims process. In the event that the creditor does not voluntarily withdraw its Misfiled Claim, the U.S. Debtors will file the necessary objections to disallow the Misfiled Claim.
56. The Monitor will report further to this Honourable Court on its progress in resolving issues associated with the Misfiled Claims in due course.

SUMMARY OF RESTRUCTURING ACTIVITIES

57. Since the issuance of the Thirty-Fifth Report, the Petitioners have made progress on a number of restructuring initiatives. Below is a summary of the key activities since those reported in the Thirty-Fifth Report:
- (i) on March 23, 2010 this Honourable Court authorized and approved the Petitioners’ sale of certain sawmills, planer mills and a newsprint mill located in Mackenzie, British Columbia (the “**Mackenzie Assets**”). The sale of the

Mackenzie Assets closed on June 4, 2010 and the Monitor is holding the proceeds in trust;

- (ii) on March 23, 2010, the Petitioners obtained an order from this Honourable Court authorizing the appointment of certain claims officers and grievance claims officers;
- (iii) on April 16, 2010, this Honourable Court granted the Petitioner's motion, with the consent of the BI/BCFPI DIP Lender, to extend the maturity date under the BI/BCFPI Facility to May 5, 2010. On April 14, 2010 the U.S. Bankruptcy Court granted a similar extension;
- (iv) on April 26, 2010, the Petitioners obtained a vesting order from this Honourable Court in respect of the sale of land located in Saguenay, Quebec;
- (v) on April 27, 2010, this Honourable Court (a) approved the sale of certain non-core assets located in Botwood and Stephenville in the Province of Newfoundland and Labrador to 4513541 Canada Inc., and (b) appointed Ernst & Young Inc. as the receiver of 4513541 Canada Inc. (subject to certain conditions being met);
- (vi) on May 3, 2010, this Honourable Court approved the sale by the Petitioners of certain pulp and paper mills located in Dalhousie (New Brunswick), Donnacona (Quebec), Fort William (Ontario) and Beupre (Quebec), including the real property, buildings and machinery and equipment located at these sites;
- (vii) on May 4, 2010, the Petitioners filed a draft plan of arrangement in the CCAA Proceedings (the "**CCAA Plan**") and a draft plan in the Chapter 11 Proceedings (the "**U.S. Plan**") (the CCAA Plan and the U.S. Plan are collectively referred to herein as the "**Plans**")²;
- (viii) on May 12, 2010, the Quebec Court of Appeal heard the Motion of the Province of Newfoundland and Labrador for leave to appeal the decision of this

² Together, the Plans contemplate repayment in full in cash of all of the prepetition and postpetition secured debt and recoveries for unsecured creditors in the form of equity in the reorganized entity, which is defined herein as the "**New ABH Stock**".

Honourable Court dated March 31, 2010 regarding orders issued pursuant to the *Environmental Protection Act* (Newfoundland and Labrador) (to which the Attorney General of the Province of British Columbia intervened). Leave to appeal was denied on May 18, 2010;

- (ix) on May 24, 2010, the Petitioners filed revised drafts of the CCAA Plan and the U.S. Plan, after consultation with their stakeholders;
 - (x) on May 24, 2010, the Petitioners also filed a draft Information Circular in respect of the CCAA Plan and a Disclosure Statement in respect of the U.S. Plan;
 - (xi) the Petitioners have closed the sales of the ACI Group's Belgo paper mill and ACCC's St-Raymond sawmill, which were previously approved by this Honourable Court; and
 - (xii) ABH has commenced the process to raise exit financing to meet one of the closing conditions with respect to the Plans.
58. As reported in the Thirty-Fifth Report, the Petitioners advised the Monitor that, on March 6, 2010, the Petitioners and the Syndicate des communications, l'énergie et du papier ("SCEP") announced that they had reached an agreement concerning the renewal of the SCEP collective bargaining agreements (the "**SCEP Agreement**"). The Petitioners have advised the Monitor that the members of the SCEP who work in the pulp and paper mills and who work in all but one sawmill have ratified the SCEP Agreement.
59. The Petitioners have also advised the Monitor that they reached an agreement in principle with the Confederation des Syndicats Nationaux ("**CSN**") (the "**CSN Agreement**"), which was subsequently ratified by its members, with the exception of one local that has yet to hold its vote.
60. The SCEP Agreement and the CSN Agreement are subject to the resolution of multi-party discussions regarding pension deficits that are ongoing between the Petitioners and various governments and unions in Canada. The Petitioners have advised the Monitor that they have made progress in the pension deficit funding discussions.

EXTENSION OF THE STAY OF PROCEEDINGS

61. The Petitioners have filed a Motion to extend the Stay Period to July 30, 2010. The Monitor is of the view that the extension of the Stay Period to July 30, 2010 will allow the Petitioners to continue to develop their restructuring plans, will allow the Petitioners to continue to quantify claims filed by creditors and will also allow the Petitioners to engage in further discussions and negotiations with their stakeholders. In particular, it will provide the Petitioners with sufficient time to file motion materials seeking an order with respect to the creditors' meeting to be called for the purposes of considering and voting on the CCAA Plan. It is presently anticipated that such a motion will be heard in the first half of July, 2010.
62. The Revised Forecasts indicate that the Petitioners will have sufficient liquidity through the extension of the Stay Period to July 30, 2010.

SECURITIZATION PROGRAM

63. As described in the Monitor's First and Fifth Reports, dated April 16, 2009 and May 13, 2009, respectively, the ACI Group participates in a securitization program (the "**Securitization Program**") with Citibank, N.A. (London Branch) ("**Citibank**"), as the lead arranger and administrative agent, to help fund the working capital requirements of the ACI Group and the DCorp Group. Under the Securitization Program, Citibank agreed to purchase receivables in an aggregate amount of up to \$210 million.
64. An overview of the ACI Group's sales and accounts receivable collection processes under the Securitization Program is set forth in the Sixth Report of the Monitor dated May 21, 2009 (the "**Sixth Report**"). To summarize, the Securitization Program provides funding for the accounts receivable of both the ACI Group and the DCorp Group. However, as most of DCorp Group's mill operations are idle, the vast majority of the receivables financed by the Securitization Program are generated by the ACI Group.
65. As set forth in the Sixth Report, the Securitization program was amended (the "**Amended and Restated Securitization Program**") to provide the ACI Group and the DCorp Group with up to \$300 million of liquidity and to extend the maturity date to June 16,

2010, with the option to further extend the maturity date upon payment of various extension fees. The Amended and Restated Securitization Program was approved by this Honourable Court on June 15, 2009 (the “**Existing Securitization Order**”).

66. The ACI Group has filed a motion in the CCAA Proceedings seeking an Order from this Honourable Court authorizing the petitioners to (i) further extend the maturity date under the Amended and Restated Securitization Program, (ii) enter into certain amendments with respect to the Amended and Restated Securitization Program, and (iii) cause the payment of certain fees in connection with such amendments (the “**Securitization Amendments**”). In addition, the DCorp Group has filed a motion in the Chapter 11 Proceedings seeking the same relief from the U.S. Bankruptcy Court, which is scheduled to be heard on June 11, 2010.
67. The Monitor has been advised by the Petitioners that the Securitization Amendments do not materially alter the Amended and Restated Securitization Program, subject to certain exceptions. The material terms of the Securitization Amendments are summarized below:

TERM	DESCRIPTION
Maturity Date	Extended for an additional 364 days from the date the order approving the Securitization Amendments becomes effective. Fifteen month extension and eighteen month extension provisions are deleted.
Commitment	Purchase Limit is reduced from \$270 million to \$180 million in the aggregate. ³
Interest Expense	Interest cost is reduced from LIBOR + 750 basis points (with a 3% LIBOR floor) to LIBOR + 400 basis points (with a 2% LIBOR floor).
Unused Commitment Fee	Reduced from 1.5% to 0.75%.
Financial Covenants	Adding covenant levels for the fiscal quarters ending after September 30, 2010 (ie. for the new duration of the Amended and Restated Securitization Program). ⁴

³ The previous commitment to purchase accounts receivable was up to a maximum amount of \$270 million, which amount is now being reduced to \$180 million.

68. The Petitioners have advised the Monitor that, although not part of the Securitization Amendments, Abitibi-Consolidated U.S. Funding Corp. (“**ACI Funding**”), which is not a Petitioner or a U.S. Debtor, has agreed to pay certain fees in the aggregate amount of \$3.8 million (collectively, the “**Amendment Fees**”). The Amendment Fees are due and payable upon closing of the Securitization Amendments.
69. The Petitioners have advised the Monitor that the Securitization Amendments will result in net cash savings of approximately \$4 million (even after payment of the Amendment Fees) over the next five months by, among other things, waiving the existing extension fees and reducing the aggregate commitment thereunder and the related interest and fee expense.
70. Further, the Petitioners have also advised the Monitor that the Securitization Amendments do not in any way alter or amend the adequate protection package provided to the ACCC Term Lenders, as described in greater detail in the Sixth Report.
71. The Monitor has reviewed the Securitization Amendments and is of the view that they are fair and reasonable. The reduction in the aggregate size of the facility and the amendment to the maturity date will result in a reduction in fees, while continuing to support the Petitioners’ ability to continue to have access to sufficient liquidity to maintain business relationships with their vendors, suppliers and customers, to pay their employees, to purchase and supply new inventory and to otherwise finance their operations.

THE BACKSTOP COMMITMENT AGREEMENT

72. As set out in the Supplemental Forty-Second Report of the Monitor dated May 25, 2010, the Plans contemplate that ABH will finance distributions to secured creditors and ongoing business operations after emergence from Chapter 11 Proceedings and CCAA Proceedings by, among other things, raising exit financing.

⁴ This amendment changes two covenants given by the Guarantors and ACI: (i) s. 5.14 of the Guaranty is amended to add minimum cumulative consolidated EBITDAR requirements for (a) the period of 4 consecutive fiscal quarters ending Dec. 31, 2010 (minimum EBITDAR of \$180M); and (b) the period of 4 consecutive fiscal quarters ending March 31, 2011 (minimum EBITDAR of \$180M); and (ii) s. 5.16 of the Guaranty is amended to add a maximum combined capital expenditure limit of \$90M for the fiscal year 2011.

73. In particular, as set out in Article 6.1(a)(viii) of the CCAA Plan, one of the transactions required to be consummated and effected (the “**CCAA Plan Transactions**”) by ABH is the securing of exit loan facilities, in an aggregate amount up to \$2.3 billion less cash on hand and proceeds from the rights offering (described below), in order to make all cash distributions required under the Plans and to provide adequate on-going financing to the restructured organization.
74. In order to raise the required exit loan facilities, ABH has requested proposals from various lenders for exit financing and is currently in the process of reviewing the proposals. The exit loan facilities will include a combination of asset based loans, term debt and/or publicly issued notes.
75. As part of the exit financing, ABH also intends to raise up to \$500 million through the issuance of convertible notes pursuant to a rights offering to be made available to unsecured creditors under both of the CCAA Plan and the U.S. Plan (the “**Rights Offering**”). All eligible unsecured creditors will receive a *pro rata* right to participate in the Rights Offering enabling them to elect to subscribe for the unsecured subordinated convertible notes, if they so choose.
76. To ensure that the Rights Offering is successful in raising the required funds, on May 24, 2010 ABH entered into an agreement with certain investors (the “**Backstop Investors**”)⁵ concerning their commitment to purchase any notes that are not subscribed by the unsecured creditors in the Rights Offering (the “**Backstop Commitment Agreement**”). The Monitor understands that the Backstop Investors hold a significant amount of the unsecured bond debt of the ACI Group, the DCorp Group and the BI Group. The material terms of the Backstop Commitment Agreement are outlined in detail in the Petitioners’ motion materials and are reproduced in the table set forth in Appendix “K” attached hereto.
77. It may be that the Petitioners will be able to raise the requisite amount of financing through appropriate exit financing facilities, in which case ABH will not require proceeds

⁵ The Backstop Investors include Fairfax Financial Holdings Limited (“**Fairfax**”), Avenue Capital Management II, L.P., Paulson Credit Opportunities Master Ltd., Barclays Bank plc, Steelhead Navigator Master, L.P., J.P. Morgan Securities Inc. and Whitebox Advisors, LLC.

from the Rights Offering. The Petitioners have advised that the Rights Offering is an alternative financing source that they intend to utilize only to the extent necessary to supplement the exit financing package available to ABH. Therefore, while the Plans presently contemplate that unsecured creditors will be provided with the opportunity to purchase their *pro rata* share of up to \$500 million of unsecured subordinated convertible notes (the “**Notes**”) through the Rights Offering, the Petitioners have the ability to reduce the size of the Rights Offering or cancel it altogether if the Petitioners raise the necessary exit financing from other sources.

78. It is also intended that the Backstop Commitment Agreement will serve as a “stalking horse” bid in a formal process (the “**Bid Procedures**”) designed to test the terms of the backstop arrangement in the market to ensure that the terms of the Backstop Commitment Agreement and the Notes to be issued under the Plans pursuant to the Rights Offering (the “**Issuance Terms**”) are as competitive and favourable to the Petitioners as possible.
79. In connection with their motion for the approval of the Backstop Agreement, the Petitioners are also requesting that this Honourable Court approve the Bid Procedures, which are described in greater detail below. The deadline for submitting bids under the Bid Procedures is June 18, 2010. As proposed, both the Monitor and the U.S. Unsecured Creditor’s Committee (the “**UCC**”) will be consulted in the bidding process, including the determination of whether a better alternative becomes available as a result of the Bid Procedures.
80. The Monitor notes that, so long as the Backstop Commitment Agreement is outstanding, no amendments can be made to the drafts of the CCAA Plan and the U.S. Plan filed on May 24, 2010, without the prior written consent of a majority of the Backstop Investors.

The Notes

81. The Backstop Commitment Agreement sets forth the principal terms of the Notes to be issued under the Plans in a term sheet annexed thereto. The Notes will be convertible at the option of the holder into shares of new common stock of ABH, being the same stock to be distributed under the Plans based essentially on a conversion price equal to \$1.8

billion divided by the number of new ABH shares (the “**New ABH Stock**”) issued pursuant to the Plans (with certain adjustments as more fully described in the Backstop Commitment Agreement). The final terms of the Notes will be determined through the auction process (as described below).

82. The Petitioners have advised the Monitor that the proceeds from the issuance and sale of the Notes shall be used to fund the Petitioners’ and the U.S. Debtors’ cash requirements in connection with consummation of the Plans and to provide liquidity to the restructured enterprise.

The Termination Payment

83. In exchange for the ability to conduct the auction process and in consideration for the Backstop Investors’ willingness to serve as a “stalking horse bidder”, ABH has agreed to make a payment to the Backstop Investors (the “**Termination Payment**”) if the Backstop Commitment Agreement terminates because, among other events, ABH obtains superior Issuance Terms to those set forth in the Backstop Commitment Agreement. The Termination Payment will be payable only in circumstances where the Backstop Payment (as defined below) is not earned.
84. The amount of the Termination Payment depends on the timing of termination as follows:
- (i) after the date on which the Termination Payment is approved by the U.S. Bankruptcy Court but on or before the earlier of: (x) the date on which this Backstop Commitment Agreement is approved by the U.S. Bankruptcy Court and (y) the later date on which an alternative transaction is approved by the U.S. Bankruptcy Court or this Honourable Court (the “**Approval Date**”), the Termination Payment shall be in the aggregate amount equal to the lesser of (x) \$15 million and (y) 5% of the total capital raised in any alternative transaction, but not less than \$7.5 million;
 - (ii) after the Approval Date, but on or before October 15, 2010, the Termination Payment shall be an aggregate amount equal to \$15 million; or

- (iii) after October 15, 2010, the Termination Payment shall be an aggregate amount equal to the greater of (x) \$15 million and (y) 6% of the amount of total capital raised on October 15, 2010.

The Bid Procedures

85. The Bid Procedures are set forth in detail in the Petitioners' motion materials and, in summary, provide as follows:

- (i) all potential bidders must execute a form of confidentiality agreement that is acceptable to the Petitioners and the U.S. Debtors;
- (ii) binding bids must be received by 5:00 pm EST on June 18, 2010 (the "**Bid Deadline**");
- (iii) if one or more "Qualified Bids" are received by the Bid Deadline, an auction shall commence on June 21, 2010 at 10:00 am EST;
- (iv) if an auction is conducted, the U.S. Debtors, in consultation with the Monitor and the UCC, will select the highest or otherwise best bid to serve as the starting bid in the auction process;
- (v) the Monitor and the UCC will also be consulted in the selection of the highest or otherwise "best" offer (the "**Successful Bid**"); and
- (vi) a hearing to consider the Successful Bid shall take place in the U.S. Bankruptcy Court on June 22, 2010 at 11:00 am EST.

The Commitment Payments

86. In exchange for the Backstop Investors' commitment to purchase any Notes that are not subscribed for in the Rights Offering, ABH has agreed to:

- (i) pay the Backstop Investors a commitment fee (the "**Backstop Payment**") equal to the greater of \$15 million and 6% of the total size of the Rights Offering, which percentage is payable half in cash and half in New ABH Stock (subject to a

Backstop Investor's election to receive the total payment in New ABH Stock) to be paid on the effective date of the Plans, provided that the Backstop Commitment Agreement has not terminated by its terms prior to the effective date;

- (ii) reimburse the reasonable expenses incurred by the Backstop Investors and their professionals in connection with the contemplated transaction (the "**Transaction Expenses**"); and
- (iii) indemnify the Backstop Investors (the "**Indemnification**") against any and all losses, claims, damages, liabilities and expenses to which any of the Backstop Investors may become subject in connection with or arising out of the proposed transaction.

Fairfax Release

87. In connection with Fairfax's commitment to participate as a backstop investor and provide substantial new financing to the company through the Backstop Commitment Agreement, the U.S. Debtors and the UCC have resolved a potential outstanding dispute with Fairfax. Specifically, the UCC previously alleged that the U.S. Debtors' estates may have potential avoidance action claims with respect to certain convertible notes issued to Fairfax by ABH prior to the issuance of the Initial Order and guaranteed by BI. The Petitioners have advised the Monitor that, to induce Fairfax to participate in the Backstop Commitment Agreement as a significant backstop investor, the UCC and the U.S. Debtors have agreed, upon the occurrence of certain Release Conditions (as defined below), to release and discharge any and all claims the U.S. Debtors or the UCC may have against Fairfax related to BI's guarantee of the convertible notes (the "**Fairfax Release**").
88. The Release Conditions mean the occurrence of both the following events:
- (i) entry of a final order by the U.S. Bankruptcy Court approving a backstop agreement and the Rights Offering process; and

- (ii) the earliest to occur of (x) consummation of the Backstop Commitment Agreement and Fairfax's performance thereunder; (y) the U.S. Debtors entry into a higher, better or alternative backstop agreement with a third party which is approved by order of the U.S. Bankruptcy Court; or (z) Fairfax's termination or non-performance of the Backstop Commitment Agreement for a reason other than the existence of a material adverse effect or the unintentional breach by the U.S. Debtors of any of the representations and warranties set forth therein.
89. The Monitor was not involved in the negotiations with respect to the Fairfax Release. As the parties to the potential dispute and the applicable law are all U.S. based and because this issue has few or no potential ramifications for the Canadian estates, the Monitor has not conducted an independent review of this aspect of the proposed transaction.

The Plan Support Agreement

90. Attached as an exhibit to the Backstop Commitment Agreement is a form of Plan Support Agreement (the "**Plan Support Agreement**") that ABH has agreed to enter into with each backstop investor (called, for the purposes of the Plan Support Agreement, an "**Undersigned Holder**" and, collectively with all unsecured noteholders/backstop investors who have executed similar agreements with ABH, each a "**Plan Support Party**" and collectively the "**Plan Support Parties**"). The Plan Support Agreement provides the terms pursuant to which the Plan Support Parties commit to support and vote to accept the Plans. As mentioned in paragraph 76, the Backstop Investors hold a significant amount of the ABH Group's unsecured bonds.
91. The Petitioners have advised the Monitor that they intend to seek approval of the Plan Support Agreement by separate motion at a later date.
92. The Monitor notes that the Termination Events (as defined below) set forth in the Plan Support Agreement, which relieve the Plan Support Parties from supporting the Plans, include a material change to the Plans pursuant to which (a) general unsecured creditors will receive a distribution of securities other than the New ABH Stock proposed to be distributed pursuant to the drafts of the Plans as issued on May 24, 2010, or (b) the New

ABH Stock to be distributed to general unsecured creditors, as allocated between the separate entity groupings within ABH's corporate structure (such groupings, as defined in the Disclosure Statement, the "**Abitibi/D-Corp Companies**" and the "**Bowater Companies**", respectively), will be distributed other than 60% of the New ABH Stock to be distributed to unsecured creditors of the Bowater Companies and 40% of the New ABH Stock to be distributed to unsecured creditors of the Abitibi/D-Corp Companies (which is reflective of the share allocations which were included in the drafts of the Plans issued on May 24, 2010) and, in each case, such change is not acceptable to the Plan Support Parties.

93. The key terms of the Plan Support Agreement are summarized in Appendix "L" attached hereto.

The Monitor's Comments on the Backstop Commitment Agreement

94. The business terms of the Rights Offering, the Backstop Commitment Agreement and the Bid Procedures were negotiated primarily by ABH and the other U.S. Debtors, as well as the CCAA Ad Hoc Committee of Unsecured Noteholders (the "**Ad Hoc Committee**"). The Monitor had no involvement in those negotiations.

The Termination Payment

95. In order to consider the reasonableness of the Termination Payment, the Monitor has compared it to termination payments/break fees that have been agreed upon or approved in other insolvency sale transactions or rights offerings, including: (i) Canadian rights offerings in CCAA proceedings or reorganizations under the *Canada Business Corporations Act* (the "**CBCA**"), (ii) Canadian rights offerings outside of reorganization proceedings, (iii) U.S. rights offerings in Chapter 11 proceedings, and (iv) recent CCAA asset sale transactions.
96. The Monitor compiled transaction comparables, attached as Appendix "M", for various rights offerings and financings in Canada and the United States. The first set of comparables includes Canadian companies that were (i) in CCAA proceedings or (ii) undergoing a recapitalization further to a plan of arrangement under the CBCA or (iii)

undertaking refinancing through a rights offering (the “**Canadian Comparables**”). The second set of comparables includes U.S. companies that were under Chapter 11 proceedings that implemented a rights offering (the “**U.S. Comparables**”). The mean average and median for termination fees is as follows:

	Mean Average	Median
Canadian Comparables	5.0%	3.5%
U.S. Comparables	3.9%	3.2%

97. The Monitor has also compiled a list of termination payments in recent insolvent “stalking horse” asset transactions from the Nortel Networks CCAA proceedings and the Pope and Talbot CCAA proceedings which are set forth in Appendix “N” attached hereto. The mean average for termination payments is 2.8% and the median is 1.8%.
98. As set out in paragraph 84 above, prior to the approval of the Backstop Commitment Agreement by the U.S. Bankruptcy Court, the Termination Payment is the lesser of: \$15 million and 5% of any alternative financing raised. This would give rise to a break fee of 3% (based on a total Rights Offering of \$500 million) increasing to 5% (if the total Rights Offering drops below \$300 million). These percentage termination fees would appear to be within a range of reasonableness based on the comparable transactions described in Appendices “M” and “N”.
99. If the Backstop Commitment Agreement is terminated after the approval by the U.S. Bankruptcy Court but prior to October 15, 2010, then the Termination Payment equals \$15 million. This represents 3% of the maximum size of the Rights Offering of \$500 million but could be a higher percentage if the ultimate Rights Offering is reduced to lower amount. A 3% Termination Fee appears to be within a range of reasonableness based on the comparable transactions, but the percentage of the Termination Fee will increase if the size of the Rights Offering is ultimately reduced.

100. If the Backstop Commitment Agreement is terminated after October 15, 2010, then the Termination Payment will equal the greater of \$15 million or 6% of the total capital raised. This implies that the Termination Fee will be 6%, assuming that the total capital raised is equal to or greater than \$250 million (\$15 million being 6% of \$250 million). The Termination Payment in percentage terms will increase in the event the total capital raised is less than \$250 million (as the Termination Fee will not be less than \$15 million).
101. The Monitor is of the view that a termination fee that increases depending upon how long the commitment is outstanding is commercially justifiable because of the cost associated with an on-going requirement to make available a significant amount of capital to support the commitment.
102. Further, the Backstop Commitment Agreement and the structure of the Termination Payment provide optionality to ABH through the completion of the exit financing process as, if more attractive financing can ultimately be raised in the capital markets, the Rights Offering and the Backstop Commitment Agreement can be terminated at a cost of approximately \$15 million.

The Backstop Payment

103. The Monitor has also reviewed and considered the Backstop Payment and compared it with other rights offering transactions of a similar nature. Such comparables are set forth in Appendix “M” (referred to as the “Standby Fees” in the Appendix). The mean average and median for commitment fees is as follows:

	Mean Average	Median
Canadian Comparables	3.6%	3.8%
U.S. Comparables	3.8%	3.8%

104. The Backstop Payment, as described in paragraph 86(i) above, is the greater of \$15 million and 6% of the Rights Offering. This implies that the Backstop Payment in percentage terms is 6% unless the Rights Offering drops below \$250 million, in which case the Backstop Payment in percentage terms will rise accordingly.
105. Based on the analysis contained in Appendix “M”, it would appear that the Backstop Payment in percentage terms is greater than that which has been paid in most similar situations, although consideration must be given to the size and nature of the financing raised. In this case, the Notes are relatively high risk subordinated convertible debt. As well, the nature of the Petitioners’ business and industry must be considered in comparing the risk factors that financing sources will take into consideration when pricing standby fees in a rights offering. As described further below, the auction process will provide an opportunity for interested parties to submit proposals on more attractive terms, if they choose to do so. Through this process, the ultimate size of the Backstop Payment should be determined by the market.
106. The Monitor notes that the calculation of percentages is based upon the gross amount to be raised by the proposed Rights Offering and does not take into account the *pro rata* share of the Rights Offering to be taken up by the parties to the Backstop Commitment Agreement. The Monitor does not have the information on the amount of unsecured debt held by the Backstop Investors but notes that if the percentages were to be calculated after taking into account the *pro rata* share of the Rights Offering available to these parties, the percentages would be higher.

The Auction Process and Other Comments

107. With respect to the auction process, the Monitor notes that, although the proposed auction process will be conducted within a very short time period and is to be completed by June 18, 2010, there is nevertheless a form of auction process contemplated to test the market. The Monitor also notes that the Petitioners’ stakeholders have had copies of the Backstop Commitment Agreement since it was filed on May 25, 2010, meaning that any other interested party will have approximately three weeks to submit a competing bid.

108. The Monitor understands that ABH did not test the market before entering into the Backstop Commitment Agreement. However, the Monitor has been advised by the Petitioners that their financial advisors are of the view that there are very few parties that are likely to be willing to commit, at this point in the proceedings, to provide the Petitioners and the U.S. Debtors with a backstop commitment for an additional \$500 million of subordinated note financing. If any such parties exist, they will have an opportunity to participate in the auction process.
109. The Monitor also notes that the draft Plans filed on May 4, 2010 referred to the concept of the Rights Offering and that, since that date, ABH and its financial advisors have received only one inquiry as to the Rights Offering. Further, as part of the exit financing process, ABH has approached all of the major Wall Street banks in the United States and none of these banks have, to date, expressed interest to ABH in backstopping the Rights Offering.
110. The Monitor is of the view that the Rights Offering and the Backstop Commitment Agreement are beneficial to the Petitioners and the U.S. Debtors in that they provide \$500 million in committed subordinated financing, thereby increasing the likelihood of success in achieving the amount of exit financing that they need to emerge from insolvency proceedings.
111. Further, as set forth above, the Petitioners have the ability to reduce the size of the Rights Offering or cancel it altogether if the Petitioners raise the necessary exit financing from other sources.
112. In evaluating the Backstop Commitment Agreement, the Monitor has considered the potential advantages that might have been achieved had a broader canvassing of the market been undertaken and has weighed that against the importance of obtaining a substantial convertible note financing commitment to better ensure the successful emergence of the Petitioners and the U.S. Debtors from insolvency proceedings.
113. The Monitor notes that, as at the date hereof, no stakeholders, other than trustee under the 7.95% bonds issued by BCFC (and guaranteed by BI) and certain bondholders in that

group, have expressed any concern to the Monitor with respect to the Backstop Commitment Agreement. Rather, the Monitor has been informed that the UCC and the Ad Hoc Committee, which represent the major stakeholders on both sides of the border, support the Rights Offering and the Backstop Commitment Agreement. The Monitor understands that the Backstop Investors include many of ABH's largest noteholders.

114. The Monitor cannot state whether there are better alternatives to the Backstop Commitment Agreement available as it has not done an independent review of the market. However, the Monitor is of the view that the Rights Offering and the Backstop Commitment Agreement are beneficial to the Petitioners and the U.S. Debtors in that they significantly increase the likelihood of their being successful in their efforts to raise the requisite exit financing necessary to emerge from insolvency proceedings.

RECOMMENDATION

115. It is the Monitor's view that the Petitioners have acted and continue to act in good faith and with due diligence in their efforts to develop a restructuring plan for the benefit of all stakeholders. The Monitor is also of the view that an extension of the Stay Period to July 30, 2010 is in the best interest of the Petitioners' stakeholders. The Monitor recommends that this Honourable Court grant the Petitioners' Motion for an extension of the Stay Period to July 30, 2010.
116. The Monitor is also of the view that the Securitization Amendments are fair and reasonable. As stated herein, the reduction in the aggregate size of the facility and the amendment to the maturity date will, primarily, result in a reduction in fees, while continuing to support the Petitioners' ability to continue to operate.
117. The Monitor is of the view that, despite the lack of a prior market canvass and the compressed timing of the Bid Procedures, the Backstop Commitment Agreement ensures the success of the Rights Offering, if required, and thereby significantly reduces the financing risks associated with consummating the Plans and exiting from insolvency protection. Although the Termination Payment is significant, the ability of ABH to cancel the Backstop Commitment Agreement does provide it with significant flexibility

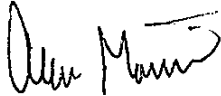
in arranging the most attractive and cost effective exit financing should capital markets present better financing alternatives.

118. The Monitor notes that the Backstop Payment appears to exceed the range of fees payable in other transactions of this nature, but the Monitor also notes that, notwithstanding the factors noted above, the UCC and the Ad Hoc Committee have indicated to the Monitor that they support the Rights Offering and the Backstop Commitment Agreement.
119. Without a backstop arrangement, the ability of the Petitioners and the U.S. Debtors to raise financing from a rights offering would be uncertain and would heighten the risk associated with their ability to raise sufficient financing to implement the CCAA Plan and the U.S. Plan and successfully emerge from insolvency protection.
120. The Monitor also notes that the Petitioners and the U.S. Debtors have achieved this significant financing commitment in a period of considerable market uncertainty and a period of significant currency volatility. They have advised the Monitor that, in the exercise of their business judgment, the certainty provided by the Rights Offering is worth the cost. They have also noted that the support of the creditors who are Backstop Investors is critical to their ability to present a CCAA Plan and a U.S. Plan that are capable of achieving the requisite level of support from the creditors generally.
121. As such, the Petitioners and the U.S. Debtors are of the view that the Rights Offering is a significant milestone toward the goals of both raising the financing required to exit and of creditor support for their draft CCAA Plan and U.S. Plan, all with a view to achieving an exit from insolvency protection as quickly as possible.

All of which is respectfully submitted.

ERNST & YOUNG INC.
In its capacity as the Court-Appointed
Monitor of the Petitioners

Per:

A handwritten signature in black ink, appearing to read "Alex Morrison".

Alex Morrison, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

Martin Daigneault, CA, CIRP
Senior 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.
20. Abitibi-Consolidated (U.K.) 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. Canexel 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

APPENDIX “D”
PARTNERSHIPS

1. Bowater Canada Finance Limited Partnership
2. Bowater Pulp and Paper Canada Holdings Limited Partnership
3. Abitibi-Consolidated Finance LP

APPENDIX “E”
ACI Group Cash Flow Forecast

Abitibi Consolidated Inc. and its subsidiaries (the "ACI Group")
Weekly Cash Flow Forecast
13 Weeks Ending August 29, 2010
US\$000

Week ended	Notes	6-Jun-10	13-Jun-10	20-Jun-10	27-Jun-10	4-Jul-10	11-Jul-10	18-Jul-10	25-Jul-10	1-Aug-10	8-Aug-10	15-Aug-10	22-Aug-10	29-Aug-10	Total
Operating Cash															
Receipts															
1	188,942	177,170	177,396	157,831	163,815	162,279	174,792	156,877	156,877	157,826	153,652	155,029	139,174	136,626	188,942
2	36,392	39,769	40,571	44,250	39,933	44,886	37,327	47,488	47,488	39,781	36,868	39,134	36,758	36,370	519,528
3	4,830	4,903	4,903	4,903	4,903	4,612	4,612	4,612	4,612	4,636	4,777	4,777	4,777	4,777	61,858
4	4,822	2,824	5,641	5,978	10,666	5,288	5,312	2,750	2,750	4,820	2,822	5,642	2,822	6,465	67,851
5	46,045	47,496	52,115	56,131	55,336	54,786	47,251	54,830	54,830	49,238	44,467	49,554	44,357	47,613	649,237
Total Receipts															
6	(34,982)	(28,458)	(28,458)	(28,458)	(27,725)	(25,674)	(25,674)	(25,674)	(25,674)	(24,930)	(26,463)	(26,463)	(26,463)	(26,463)	(355,888)
7	(1,600)	(865)	(865)	(865)	(850)	(838)	(838)	(838)	(838)	(838)	(838)	(838)	(838)	(838)	(11,013)
8	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(26,200)
9	(7,275)	(6,304)	(10,355)	(6,304)	(6,304)	(6,304)	(6,304)	(6,304)	(6,304)	(8,133)	(6,304)	(6,304)	(6,304)	(6,304)	(96,565)
10	(10,472)	(8,942)	(7,427)	(6,827)	(13,906)	(6,755)	(8,704)	(9,755)	(9,755)	(11,856)	(6,784)	(8,751)	(6,784)	(6,334)	(113,098)
11	(1,350)	(1,100)	(1,100)	(3,193)	(19,375)	(3,193)	(20,945)	(3,197)	(3,197)	(20,945)	(3,197)	(3,195)	(3,195)	(3,195)	(70,258)
12	(56,541)	(47,270)	(65,181)	(49,947)	(51,849)	(42,272)	(65,166)	(54,101)	(54,101)	(48,707)	(43,090)	(65,409)	(46,905)	(47,634)	(888,071)
Total Disbursements															
Financing															
13	(1,277)	-	-	-	-	(1,235)	-	-	-	(1,235)	-	-	-	-	(3,747)
14	-	-	-	-	-	(3,268)	-	-	-	(3,268)	-	-	-	-	(7,056)
15	(1,277)	-	(2,700)	-	(5,023)	-	-	-	-	(4,503)	-	-	-	-	(13,503)
Total Change in Cash			227	(19,765)	6,184	(1,536)	12,514	(17,915)	749	(3,974)	1,377	(15,855)	(2,548)	(21)	(52,337)
Ending Cash Balance		177,170	177,396	157,631	163,815	162,279	174,792	156,877	157,626	153,652	155,029	139,174	136,626	136,605	136,605
Ending Cash Balance		177,170	177,396	157,631	163,815	162,279	174,792	156,877	157,626	153,652	155,029	139,174	136,626	136,605	136,605
15	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000
16	4,462	10,895	21,827	27,863	21,099	8,166	5,958	10,608	10,608	6,641	9,983	13,234	11,314	20,246	20,246
Immediately Available Liquidity		230,632	237,291	228,458	240,678	233,378	231,958	211,535	217,234	209,293	214,023	201,408	196,940	205,851	205,851
15	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000
16	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051
17	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734
18	11,765	11,765	11,765	11,765	11,765	11,765	11,765	11,765	11,765	11,765	11,765	11,765	11,765	11,765	11,765
19	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710
20	2,810	2,810	2,810	2,810	2,810	2,810	2,810	2,810	2,810	2,810	2,810	2,810	2,810	2,810	2,810
21	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Total Available Liquidity		301,241	335,611	326,778	338,998	330,698	330,278	310,155	315,554	307,613	312,343	299,728	295,259	304,171	304,171
Securitization Schedule															
17	124,168	130,600	141,533	147,569	140,805	127,871	125,863	130,314	126,347	126,347	129,699	132,939	131,019	139,952	139,952
18	4,462	10,895	21,827	27,863	21,099	8,166	5,958	10,608	10,608	6,641	9,983	13,234	11,314	20,246	20,246
Restricted ULC Reserve Deposit		51,254	51,254	51,254	51,254	51,254	51,254	51,254	51,254	51,254	51,254	51,254	51,254	51,254	51,254

The above forecast uses an exchange rate of CDN\$1.00=US\$0.98.

Note: The above totals are subject to rounding adjustments in the underlying balances.

The information and analysis in this document have not been audited or reviewed and, accordingly, no assurances are provided thereon. In addition, because forecasts are dependent upon numerous assumptions regarding future events, actual results will be different than forecast, and such differences may be material.

Abitibi Consolidated Inc. and its subsidiaries (the "ACI Group")
Notes to Weekly Cash Flow Forecast
13 Weeks Ending August 29, 2010
US\$000

1. **Opening Cash** in the forecast includes cash on hand.
2. The cash flow forecast includes mills owned by the ACI Group and its subsidiaries and includes the operations of the DCorp Group. This weekly cash flow forecast may differ from the ACI Monthly Forecast as the underlying assumptions are updated weekly and will vary with the ongoing operations of the ACI Group, whereas the ACI Monthly Forecast is based on longer-term assumptions used to forecast future monthly cash flow.
3. **Total A/R Collections** represent amounts estimated to be collected from the ACI Group's customers. The timing of collections is based on the ACI Group's collection terms with its customers and the latest sales forecast.
4. **Collections on Behalf of Joint Ventures** represent amounts estimated to be collected by the ACI Group on behalf of its joint venture partners. The ACI Group has agreements with its joint venture partners whereby the ACI Group collects the joint venture partners' accounts receivable (for a fee) and remits these funds to the joint venture in accordance with their agreement.
5. **Other Inflows** represent miscellaneous receipts including, but not limited to, such items as tax refunds, insurance proceeds or collection/management fees received from joint ventures, as estimated by the ACI Group.
6. **Trade Payables** represent amounts estimated to be paid to suppliers for the purchase of the ACI Group's raw materials, repairs and maintenance and other goods and services related to production. Also included are disbursements related to selling, general and administration expenses.
7. **Capital Expenditures** represent amounts estimated to be paid pursuant to the ACI Group's most recent capital expenditure budget.
8. **Marine Freight Payments** represent amounts estimated to be paid to the ACI Group's outbound marine freight suppliers.
9. **Utility Payments** represent amounts estimated to be payable to the ACI Group's utility suppliers.
10. **Payroll and Benefits** represent estimated amounts for salaries, wages, benefits and current service pension costs.
11. **Joint Venture Remittances, Net** represent the estimated payment of accounts receivable funds collected by the ACI Group on behalf of the respective joint venture, net of any collection/management fees.
12. **Restructuring and Other Items** represent amounts estimated by the ACI Group for restructuring costs and other miscellaneous payments.
13. Under the Amended Securitization Program, the ACI Group will not draw on the available capital unless such a draw is required for liquidity purposes. However, borrowing availability under the Amended Securitization Program is still immediately available as liquidity. The **Repayment/Interest Under the Securitization Program** represents the estimated repayment (including interest) of funds. **Availability Under the Securitization Program** represents the amount of immediately available liquidity under the ACI Group's Amended Securitization Program. **Securitization Renewal Fees** represent amounts paid to renew the Amended Securitization facility in accordance with its terms.
14. **Adequate Protection and fees by DCorp to ACCC Term Lenders** represents an estimate of payments pursuant to the adequate protection order issued by the U.S. Bankruptcy Court.
15. **Immediately Available Liquidity** is calculated as cash on hand, amounts available under the Amended Securitization Program and the portion of the ULC DIP Facility that is available upon notice (\$49 million). **Total Available Liquidity** includes an additional \$49 million of the ULC Reserve, which availability is subject to Court approval, as well as the **Mackenzie Proceeds Held in Trust, Recycling Proceeds Held in Trust, West Tacoma Proceeds Held in Trust, St. Raymond Proceeds Held in Trust, Belgo Proceeds Held in Trust and Alabama River Equipment Proceeds Held in Trust**, available upon 10 days' notice to the agent for the ACCC Term Lenders.
16. The estimated and/or actual, as the case may be, net proceeds from the sale of the Mackenzie mill (\$27.7 million), recycling assets (\$11.8 million), St. Raymond mill (\$2.8 million), West Tacoma mill (\$4.1 million), Belgo mill (\$1.7 million) and Alabama River equipment (\$1.3 million) will be held in escrow or a designated account and are only available upon 10 days' notice to the agent for the ACCC Term Lenders.
17. The **Securitization Summary** represents the ACI Group's estimated calculation of amounts owing or available under the Amended Securitization Program based on the eligible accounts receivable (net of any fees, interest or allowances).
18. The **Interest and Repayments** represent interest related to the Amended Securitization Program, as well as repayments of funds.
19. Based on the current foreign exchange rate used in the forecast of CDN\$1.00=USD\$0.98, of the \$276.7 million (\$254.1 million at \$0.90 USD FX) paid to the ULC Reserve, the Company drew \$127.4 million (\$117 million at \$0.90 USD FX) as of the date of closing of the MPCo sale and has \$49 million (\$45 million at \$0.90 USD FX) immediately available for liquidity purposes, with an additional \$49 million (\$45 million at \$0.90 USD FX) availability subject to Court approval. The remaining \$51.3 million (\$47.1 million at 0.90 USD FX) of the ULC Reserve will be held in cash, but will not be made available to the Company.

APPENDIX “F”
BCFPI Cash Flow Forecast

Bowater Canadian Forest Products Inc.
Chapter 11/CCAA Cash Flow
13 Week Period Ending August 29, 2010
US\$000s

Week Ended	6-Jun-10	13-Jun-10	20-Jun-10	27-Jun-10	4-Jul-10	11-Jul-10	18-Jul-10	25-Jul-10	1-Aug-10	8-Aug-10	15-Aug-10	22-Aug-10	29-Aug-10	Total
Notes														
1, 2	15,415	13,706	15,563	15,216	13,538	11,991	11,643	12,459	12,329	9,439	9,411	9,690	9,127	159,527
3	-	(3,000)	(6,000)	(4,000)	(3,000)	(3,000)	(2,000)	(3,000)	-	-	-	-	-	(24,000)
4	1,251	350	350	350	1,771	350	350	350	350	895	350	350	350	7,417
	16,666	11,056	9,913	11,566	12,309	9,341	9,993	9,809	12,679	10,333	9,761	10,040	9,477	142,943
Disbursements														
5	(11,845)	(6,637)	(6,637)	(6,637)	(6,202)	(5,875)	(5,875)	(5,875)	(5,898)	(6,035)	(6,035)	(6,035)	(6,035)	(85,620)
6	(1,153)	(1,163)	(1,163)	(1,163)	(1,073)	(1,006)	(1,006)	(1,006)	(1,073)	(1,073)	(1,073)	(1,073)	(1,073)	(14,040)
7	(3,775)	(2,081)	(1,893)	(2,081)	(3,824)	(1,992)	(1,840)	(1,952)	(3,007)	(2,659)	(1,867)	(1,902)	(492)	(29,365)
8	(465)	(467)	(467)	(467)	(466)	(452)	(452)	(452)	(452)	(452)	(452)	(452)	(452)	(5,935)
	(17,238)	(10,347)	(10,159)	(10,347)	(11,557)	(9,325)	(9,173)	(9,285)	(10,372)	(10,218)	(9,426)	(9,462)	(8,051)	(134,962)
Net Cash Flow From Operations	(572)	709	(246)	1,218	752	16	820	524	2,307	115	335	578	1,426	7,982
Financing and Restructuring														
9	(831)	-	-	(391)	(810)	-	-	(378)	(831)	-	-	-	(391)	(3,632)
10	(319)	(319)	(319)	(319)	(319)	(319)	(319)	(319)	(319)	(319)	(319)	(319)	(319)	(4,141)
	(1,150)	(319)	(319)	(710)	(1,129)	(319)	(319)	(697)	(1,150)	(319)	(319)	(709)	(319)	(7,772)
Cash Flow From Financing/Restructuring														
	(1,721)	390	(565)	509	(376)	(303)	502	(173)	1,157	(203)	16	(131)	1,108	209
Net Cash Flow														
Opening Bank Balance	11,720	9,999	10,369	9,824	10,333	9,956	9,654	10,155	9,983	11,140	10,936	10,953	10,822	11,720
Cash Flow	(1,721)	390	(565)	509	(376)	(303)	502	(173)	1,157	(203)	16	(131)	1,108	209
Closing Bank Balance	9,999	10,389	9,824	10,333	9,956	9,654	10,155	9,983	11,140	10,936	10,953	10,822	11,929	11,929
Settlement Proceeds Held in Trust by Monitor														
11	28,167	28,167	28,167	28,167	28,167	28,167	28,167	28,167	28,167	28,167	28,167	28,167	28,167	28,167
Closing Bank Balance Including Settlement Proceeds	38,166	38,556	37,991	38,500	38,124	37,821	38,323	38,150	39,307	39,104	39,120	38,989	40,097	40,097
Intercompany A/R Balance														
12	29,542	33,375	36,193	37,212	37,588	37,614	37,769	37,609	37,327	38,096	38,893	39,475	40,195	40,195
Ending Balance														
Cumulative Advances from Bowater Inc.														
Opening Advance Balance	24,000	24,000	21,000	15,000	11,000	8,000	5,000	3,000	-	-	-	-	-	24,000
Advance / (Repayment)	-	(3,000)	(6,000)	(4,000)	(3,000)	(3,000)	(2,000)	(3,000)	-	-	-	-	-	(24,000)
Closing Advance Balance	24,000	21,000	15,000	11,000	8,000	5,000	3,000	-	-	-	-	-	-	-

The above forecast uses an exchange rate of CDN\$1.00=US\$0.98

Amounts in the above table are subject to rounding adjustments from the underlying balances

The information and analysis in this document have not been audited or reviewed and, accordingly, no assurances are provided thereon. In addition, because forecasts are dependent upon numerous assumptions regarding future events, actual results will be different than forecast, and such difference may be material.

Bowater Canadian Forest Products Inc. ("BCFP")
Notes to CCAA Cash Flow
13 Week Period Ending August 29, 2010
US\$000s

1. **Trade Receipts** are based on BCFP's estimate of collection terms and BCFP's latest sales forecast.
2. The cash flows included in the forecast include only those BCFP mills in Canada. No funding or dividends from foreign subsidiaries are included in the forecast.
3. **Advances/(Repayments) from Bowater Inc.** represents amounts received pursuant to the BI/BCFP DIP Facility to maintain sufficient liquidity.
4. **Other Receipts** include the sale of woodchips, sundry mill level deposits and sales tax refunds.
5. **Trade Payables** represent payments for raw materials, repairs and maintenance, utilities, insurance and other costs.
6. **Freight** represents disbursements in respect of costs to deliver product to customers.
7. **Payroll and Benefits** represent amounts paid to employees for salaries and wages (including the related withholdings), pension payments and other benefits due under employee benefit programs. The forecast assumes that only those pension payments in respect of current service costs will be paid.
8. **Capital Expenditures** are costs scheduled to be made in accordance with agreements with BCFP's various capital equipment suppliers and reflect requirements pursuant to BCFP's most recent capital expenditure budget.
9. **Interest** represents interest costs and renewal fees for the company's senior secured revolving facility, the existing secured term loan and the BI/BCFP DIP Facility. Interest on Advances from Bowater Inc. are accrued at the 1 month LIBOR rate plus 2%.
10. **Restructuring Costs** represent costs related to the restructuring including transaction fees related to the DIP facility.
11. **Settlement Proceeds Held in Trust** represent funds received by BCFP pursuant to an agreement it had with Smurfit-Stone Container Canada Inc. The amount held in trust by the Monitor does not form part of the Closing Bank Balance.
12. The **Intercompany A/R Balance** represents pre-filing and post-filing sales to paper customers in the United States by BCFP through Bowater America Inc. This amount is assumed not to be stayed and is collected by BCFP from Bowater America Inc. in the normal course. This balance represents trade A/R only and does not represent any amounts funded from BI to BCFP pursuant to the BI/BCFP DIP Facility.

APPENDIX “G”

UPDATE ON THE STATUS OF THE CLAIMS

ABITIBIBOWATER CLAIMS SUMMARY
In Millions of Canadian Dollars as at May 27, 2010

Legal Entities	Less: Secured Claims				Total					Unsecured Claims Review Status				
	Claims Filed (Net of Claims Withdrawn)	Secured Lender Claims (1)	Construction Lien Claims (1)	Net Unsecured Claims Filed	Claims Under Review	Subject to Cross-Border Protocol Notice Period (2)	Subject to Revision or Disallowance Notice Periods (3)	Claims in Dispute (4)	Claims Accepted To Date	Revised, Amended and Disallowed Portion (5)				
ACI Affected Unsecured Creditor Class	7,876.4	440.8	19.1	7,416.4	911.2	0.0	6,245.6	254.6	0.9	4.2				
ACCC Affected Unsecured Creditor Class	8,396.7	1,030.0	17.2	7,349.5	736.8	23.6	6,240.5	247.4	35.1	66.1				
15.5% Guarantor Applicant Affected Unsecured Creditor Classes in respect of each of the following:														
3224112 Nova Scotia Limited	3,641.4	440.8	0.0	3,200.5	0.7	0.0	2,927.9	271.9	0.0	0.0				
Marketing Donohue Inc.	3,610.9	440.8	0.0	3,170.1	153.1	0.0	2,927.9	89.1	0.0	0.0				
Abitibi-Consolidated Canadian Office Products Holding Inc.	3,610.9	440.8	0.0	3,170.1	153.1	0.0	2,927.9	89.1	0.0	0.0				
3834328 Canada Inc.	3,610.9	440.8	0.0	3,170.1	0.7	0.0	2,927.9	241.5	0.0	0.0				
6169678 Canada Inc.	3,610.9	440.8	0.0	3,170.1	153.1	0.0	2,927.9	241.5	0.0	0.0				
Donohue Recycling Inc.	3,611.4	440.8	0.0	3,170.6	153.1	0.0	2,927.9	89.1	0.0	0.3				
1508756 Ontario Inc.	3,614.7	440.8	0.0	3,173.8	1.5	0.0	2,927.9	241.5	0.0	3.0				
The Jonquiere Pulp Company	3,610.9	440.8	0.0	3,170.1	0.7	0.0	2,927.9	241.5	0.0	0.0				
The International Bridge and Terminal Company	3,610.9	440.8	0.0	3,170.1	0.7	0.0	2,927.9	241.5	0.0	0.0				
Scramble Mining Ltd.	3,610.9	440.8	0.0	3,170.1	0.7	0.0	2,927.9	241.5	0.0	0.0				
Terra Nova Explorations Ltd.	3,610.9	440.8	0.0	3,170.1	0.7	0.0	2,927.9	241.5	0.0	0.0				
Estimated Net Consolidated Claims	76,251.0	9,320.5	48.0	66,882.5	3,187.5	1,164.9	53,109.7	8,786.7	39.0	594.7				
Saguenay Forest Products Affected Unsecured Creditor Class	3,615.6	440.8	0.0	3,174.8	4.6	0.0	2,928.1	241.5	0.2	0.4				
BCFPI Affected Unsecured Creditor Class	1,268.6	159.3	0.1	1,109.1	594.6	388.1	2.1	106.6	2.6	15.2				
BCFC Affected Unsecured Creditor Class	1,496.4	0.0	0.0	1,496.4	5.5	753.1	0.0	241.5	0.0	496.5				
Bowater Canadian Limited Affected Unsecured Creditor Class	242.3	0.0	0.0	242.3	0.8	0.0	0.0	241.5	0.0	0.0				
AbitibiBowater Canada Affected Unsecured Creditor Class	421.8	0.0	11.6	410.3	158.0	0.0	0.0	243.1	0.0	9.1				
Bowater Maritimes Affected Unsecured Creditor Class	249.5	0.0	0.0	249.5	155.9	0.1	0.7	92.8	0.0	0.0				
Abitibi-Consolidated Nova Scotia Incorporated	3,580.4	440.8	0.0	3,139.6	0.7	0.0	2,927.9	211.0	0.0	0.0				
Others (6)	9,348.6	1,959.6	0.0	7,389.0	153.7	0.0	2,558.1	4,677.2	0.0	0.0				

(1) Secured Lender claims, which total \$9,320.5 million, include guarantee claims filed against multiple entities. Total secured claims filed, excluding duplicate guarantee claims, total \$1.2 billion prior to any payments applied thereon, including from the allocation of the MPco sale proceeds. These claims include the Senior Secured Notes, the ACCC Term Loan, and the Bank of Nova Scotia.

(2) Notice of the determination of certain claims by the Monitor are to be provided to the Unsecured Creditors' Committee or the Ad Hoc Unsecured Noteholders Committee under the Cross-border Claims Protocol and are subject to a fifteen (15) business days period before the Monitor proceeds with acceptance, revision or disallowance.

(3) The claim amount represents the full amount of claims that have been revised or disallowed by the Monitor, but for which the 10 business days period during which a claimant may dispute the Monitor's revision or disallowance has yet to expire.

(4) Represents claims for which the Monitor has issued a Notice of Revision or Disallowance and for which the Affected Unsecured Creditor has filed a Notice of Dispute in respect thereof. Claim amounts are shown herein at the original filed amount.

(5) Includes claims reductions on account of amended claims filed, withdrawn claims, and disallowed claims.

(6) "Other CCAA Filed Entities" represents claims filed against various Applicants, which are expected to be disallowed in full. This data remains subject to change as individual claims are reviewed and analyzed.

APPENDIX “H”
LATE TRADE CLAIMS

**AbitibiBowater CCAA Claims
Late Claims - Trade (\$CDN)**

Stratification	1508756 Ontario inc		AbitibiBowater Canada Inc	
	Count	Amount	Count	Amount
\$0	0	-	0	-
\$0 - \$1,000	0	-	1	546.52
\$1,000 - \$2,500	0	-	0	-
\$2,500 - \$5,000	0	-	1	3,578.37
\$5,000 - \$10,000	1	5,232.57	0	-
\$10,000 - \$25,000	0	-	1	19,950.00
\$25,000 - \$100,000	0	-	0	-
\$100,000 - \$250,000	0	-	0	-
\$250,000 - \$1,000,000	0	-	0	-
\$1,000,000 -	0	-	0	-
	1	5,232.57	3	24,074.89

Stratification	Abitibi-Consolidated Company of Canada		Abitibi-Consolidated Inc.	
	Count	Amount	Count	Amount
\$0	1	-	0	-
\$0 - \$1,000	5	1,299.24	0	-
\$1,000 - \$2,500	4	5,362.74	2	3,277.24
\$2,500 - \$5,000	6	23,785.87	2	8,174.15
\$5,000 - \$10,000	5	34,028.09	4	26,923.42
\$10,000 - \$25,000	6	95,957.35	1	21,315.08
\$25,000 - \$100,000	7	354,815.68	7	313,432.57
\$100,000 - \$250,000	3	373,822.71	2	309,067.68
\$250,000 - \$1,000,000	0	-	0	-
\$1,000,000 -	0	-	0	-
	37	889,071.68	18	682,190.14

Stratification	Bowater Canadian Forest Products Inc.		Bowater Canadian Limited	
	Count	Amount	Count	Amount
\$0	0	-	0	-
\$0 - \$1,000	2	805.33	0	-
\$1,000 - \$2,500	3	4,373.02	0	-
\$2,500 - \$5,000	3	10,513.55	0	-
\$5,000 - \$10,000	1	6,000.00	0	-
\$10,000 - \$25,000	4	62,672.55	0	-
\$25,000 - \$100,000	3	117,744.74	0	-
\$100,000 - \$250,000	0	-	1	180,000.00
\$250,000 - \$1,000,000	1	445,741.66	0	-
\$1,000,000 -	0	-	0	-
	17	647,850.85	1	180,000.00

Stratification	Bowater Maritimes Inc.		Saguenay Forest Products Inc.	
	Count	Amount	Count	Amount
\$0	0	-	0	-
\$0 - \$1,000	1	478.73	0	-
\$1,000 - \$2,500	0	-	1	1,517.14
\$2,500 - \$5,000	0	-	0	-
\$5,000 - \$10,000	0	-	0	-
\$10,000 - \$25,000	0	-	0	-
\$25,000 - \$100,000	0	-	0	-
\$100,000 - \$250,000	1	108,721.60	0	-
\$250,000 - \$1,000,000	1	400,000.00	0	-
\$1,000,000 -	0	-	0	-
	3	509,200.33	1	1,517.14

Stratification	OVERALL TOTAL	
	Count	Amount
\$0	1	-
\$0 - \$1,000	9	3,129.82
\$1,000 - \$2,500	10	14,530.14
\$2,500 - \$5,000	12	46,051.94
\$5,000 - \$10,000	11	72,184.08
\$10,000 - \$25,000	12	199,894.98
\$25,000 - \$100,000	17	785,992.99
\$100,000 - \$250,000	7	971,611.99
\$250,000 - \$1,000,000	2	845,741.66
\$1,000,000 -	0	-
	81	2,939,137.60

APPENDIX “T”
LATE EMPLOYEE CLAIMS

AbitibiBowater CCAA Claims
Late Claims - Employee Claims (\$CDN)

Stratification
\$0
\$0 - \$1,000
\$1,000 - \$2,500
\$2,500 - \$5,000
\$5,000 - \$10,000
\$10,000 - \$25,000
\$25,000 - \$100,000
\$100,000 - \$250,000
\$250,000 - \$1,000,000
\$1,000,000 -

Abitibi-Consolidated Company of Canada	
Count	Amount
1	-
5	1,394.22
2	4,444.44
1	3,353.00
4	28,072.51
2	27,700.00
4	261,468.24
3	338,625.35
0	-
0	-
22	665,057.76

Bowater Canadian Forest Products Inc	
Count	Amount
0	-
0	-
1	2,029.46
1	4,876.10
1	5,933.00
0	-
1	33,000.00
1	159,495.63
0	-
0	-
5	205,334.19

Stratification
\$0
\$0 - \$1,000
\$1,000 - \$2,500
\$2,500 - \$5,000
\$5,000 - \$10,000
\$10,000 - \$25,000
\$25,000 - \$100,000
\$100,000 - \$250,000
\$250,000 - \$1,000,000
\$1,000,000 -

Abitibi-Consolidated Inc	
Count	Amount
0	-
0	-
0	-
0	-
0	-
0	-
0	-
0	-
1	268,682.33
0	-
1	268,682.33

TOTAL	
Count	Amount
1	-
5	1,394.22
3	6,473.90
2	8,229.10
5	34,005.51
2	27,700.00
5	294,468.24
4	498,120.98
1	268,682.33
0	-
28	1,139,074.28

APPENDIX “J”

MISFILED CLAIMS LETTER

**NOTICE TO CREDITOR TO TRANSFER A CLAIM FILED IN THE UNITED STATES
PROCEEDINGS TO THE CANADIAN PROCEEDINGS**

Name of Creditor:	[NAME OF CREDITOR]
Sent VIA:	Courier
Claim Reference in the US proceedings	[REFERENCE]

We are writing to you in our capacity as Court-appointed Monitor of Abitibi-Consolidated Inc. and Bowater Canadian Forest Products Inc. (the "**Canadian Debtors**") who are debtors in the pending Canadian proceedings (the "**CCAA Proceedings**") under the Companies' Creditors Arrangement Act ("**CCAA**"). You have not filed a claim in the CCAA proceedings against any of the Canadian Debtors and the claims bar dates established by the CCAA Court have now all expired such that your claims against the Canadian Debtors are presently deemed to be forever barred. Nevertheless, we are advised that you have filed a claim in the United States proceedings under Chapter 11 of the United States Bankruptcy Code (the "**Chapter 11 Proceedings**") concerning AbitibiBowater Inc. and certain of its subsidiaries (the "**US Debtors**").

You have filed a claim dated [DATE OF CLAIM] in the amount of [THE AMOUNT OF CLAIM] [against a US Debtor/ against a Canadian Debtor / and you have not identified the name of the company you are claiming against]. The Company, with its advisors and the Monitor, has reviewed your claim. Based upon this review, the Company and the Monitor believe that you filed the claim against the wrong debtor and that you should have filed the claim in the CCAA Proceedings with the Court-appointed Monitor. As Monitor of the Canadian Debtors, we are prepared to permit the transfer of your claim from the Chapter 11 Proceedings to the CCAA Proceedings. Notwithstanding that the time for filing claims in Canada has now expired, provided that you agree to voluntarily withdraw the claim that you have filed in the Chapter 11 Proceedings, the Monitor will recommend to the CCAA Court to permit late filing of your claim.

If you are in agreement with this proposal, please review and sign the attached Direction and return it to the undersigned by [TARGET DATE]. If the executed Direction is not received by such date, we are advised that the US Debtors shall proceed to file the necessary objections to disallow your claim without further notice to you and there can be no assurance that you will be permitted to file a late claim against the Canadian Debtors.

Once your claim is transferred from the Chapter 11 Proceedings to the CCAA Proceedings, the Monitor together with the Canadian Debtors, pursuant to the order issued by the Superior Court of Quebec (Canada) on January 18, 2010 (the "**Claims Determination Order**"), shall review and assess your claim and, if applicable, send you a Notice of Revision or Disallowance.

Address to send the Direction:

Ernst & Young Inc., Court-appointed Monitor of Abitibi-Consolidated Inc. and Bowater Canadian Forest Products Inc., *et al.*

By Registered Mail or Courier:

Ernst & Young Inc.
800 Rene-Levesque Blvd. West, Suite 1900
Montréal, Québec
H3B 1X9

Attention: Benjamin Garner
Telephone : 866-246-7889
Fax : 514-879-3992
E-mail : abitibibowater@ca.ey.com

Dated at Montreal, Quebec this [DATE] day of [MONTH], 2010.

ERNST & YOUNG INC.

In its capacity as Court-appointed Monitor of Abitibi-Consolidated Inc. and Bowater Canadian Forest Products Inc. *et al.*

Per:

Encl.

Cc: Epiq Bankruptcy Solutions
Ernst & Young Inc., Canadian Claims Processing
Huron Consulting Group

ACKNOWLEDGMENT AND DIRECTION

I, an authorized representative of the Creditor, am in agreement with the transfer of the claim referenced in the US Proceedings as [REFERENCE], in the amount of [THE AMOUNT OF CLAIM] from the Chapter 11 Proceedings to the CCAA proceedings and I hereby voluntarily withdraw this claim from the Chapter 11 Proceedings.

Name
An authorized representative of the Creditor

Date

APPENDIX “K”

MATERIAL TERMS OF THE BACKSTOP COMMITMENT AGREEMENT

APPENDIX “K”

MATERIAL TERMS OF THE BACKSTOP COMMITMENT AGREEMENT

<u>PROVISION</u>	<u>DESCRIPTION OF BACKSTOP COMMITMENT</u>
<i>Size of Rights Offering and Exercise Price</i>	<p>\$500 million in unsecured convertible notes (described below), at a purchase price of \$1 per Note.</p> <p>The Rights Offering is subject to reduction in size or cancellation prior to the effective date of the Plan, in the sole discretion of ABH.</p>
<i>Participation in Rights Offering</i>	<p>Rights will be offered to holders of general unsecured claims that are Eligible Holders, based on the pro rata amount of the Common Shares to be received by such Eligible Holder under the Plans as a distribution in respect of its Eligible Claims, in relation to all Common Shares distributed to all Eligible Holders under the Plans.</p>
<i>Backstop Obligation</i>	<p>Fully backstopped by the Backstop Investors; each Investor is jointly, but not severally, liable for the percentage commitment set forth in the Backstop Commitment Agreement.</p>
<i>Duration</i>	<p>The Outside Date will occur on the later of (i) October 15, 2010 and (ii) the date that is the earlier to occur of (x) December 31, 2010 and (y) the latest date on which any of ABH’s commitments for Exit Financing Facilities are scheduled to expire, so long as ABH’s commitments for the Exit Financing Facilities are in form and substance reasonably acceptable to Majority Investors.</p>
<i>Aggregate Commitment Payments</i>	<p>Backstop Payment equal to the greater of \$15 million and 6% of the total size of the Rights Offering (as may be reduced), which percentage is half payable in Cash and half payable in New ABH Stock (subject to a Backstop Investor’s election to receive the total payment in New ABH Stock), to be paid on the effective date of the Plan if the Backstop Commitment Agreement has not terminated by its terms prior to the effective date.</p> <p>The reasonable out-of-pocket expenses incurred by the Backstop Investors in connection with the transaction on the terms set forth in the Backstop Commitment Agreement.</p>
<i>Indemnification of Backstop Investors</i>	<p>Customary indemnification of the Backstop Investors by ABH against any and all losses, claims, damages, liabilities and expenses to which any of the Backstop Investors may become subject in connection with or arising out of the proposed transaction, including the Rights Offering, the Backstop Commitment, the Backstop</p>

<u>PROVISION</u>	<u>DESCRIPTION OF BACKSTOP COMMITMENT</u>
	Commitment Agreement or other transaction documents, and the purchase and sale of the Notes, subject to carve-outs for (i) Backstop Investors who default on their obligations under the Backstop Commitment Agreement, (ii) bad faith, gross negligence or willful misconduct, and (iii) to the extent a right to indemnification arises from an Investor's assignment of any of its rights or obligations under the Backstop Commitment Agreement to a third-party.
<i>Conditions to Backstop Investors' Obligations</i>	<p>Customary conditions precedent, including:</p> <ul style="list-style-type: none"> (a) filing of Plans and Disclosure Statements that are reasonably acceptable to a majority of the Backstop Investors (the "Majority Investors") within 5 business days of the execution of the Backstop Commitment Agreement; (b) Bankruptcy Court approval of the Termination Payment and the Backstop Commitment Agreement; (c) entry by the Bankruptcy Courts of orders approving the Plans on terms reasonably satisfactory to the Majority Investors; and (d) exit financing on terms and conditions reasonably satisfactory to the Majority Investors.
<i>Disclosure Statement and Information Circular Support</i>	The Backstop Investors covenant to support the Disclosure Statement with respect to the Plan and the information circular with respect to the CCAA Plan, and covenant not to take any negative action to interfere with approval thereof. Pursuant to section 12(e) of the Backstop Commitment Agreement, this covenant survives termination of the Backstop Commitment Agreement.
<i>Plan Support Covenant</i>	The Backstop Investors covenant to enter into a the Plan Support Agreement (substantially in the form attached to the Backstop Commitment Agreement) within 2 business days of entry of an order by the Court approving the Disclosure Statement or the Circular Order, whichever is later in time. The Debtors will seek approval of the Plan Support Agreement by separate motion. Pursuant to section 12(e) of the Backstop Commitment Agreement, this covenant survives termination of the Backstop Commitment Agreement.
<i>Termination Payment</i>	<p>The Backstop Investors shall be entitled to receive a Termination Payment on the effective date of a plan that is confirmed if the Backstop Commitment Agreement terminates for any of the following reasons:</p> <ul style="list-style-type: none"> (a) ABH shall not have pursued an alternative transaction and the U.S. Bankruptcy Court or the Canadian Court shall not have entered an order approving the Commitment Agreement by July

<u>PROVISION</u>	<u>DESCRIPTION OF BACKSTOP COMMITMENT</u>
	<p>10, 2010;</p> <ul style="list-style-type: none"> (b) Occurrence of the Outside Date; (c) Plan Support Agreements are terminated by ABH or the Majority Investors; (d) delivery of a Satisfaction Notice or a public announcement from ABH that it has obtained sufficient capital from alternative sources and does not require and/or will not seek to complete the Rights Offering. (e) ABH breaches the Backstop Commitment Agreement in any material respect, or is in material breach of any of its representations and warranties contained herein and in each case fails to cure such breach, if curable, within ten (10) days after notice of such breach is given to ABH by an Investor; (f) ABH withdraws the Plans, announces its intention not to support the Plans, or pursues other plans or alternative transactions; (g) the U.S. Bankruptcy Court dismisses or converts ABH's Chapter 11 case, or appoints a trustee or examiner with enlarged powers; (h) ABH's CCAA case is converted into a bankruptcy case or a trustee, receiver, receiver and manager or liquidator is appointed in respect of ABH; (i) the failure of ABH to satisfy certain conditions precedent (which failure cannot be cured by the earlier of the Effective Date or the Outside Date), or the date on which any of the conditions precedent become incapable of being satisfied; (j) the Disclosure Statement Order and Circular Order have not been entered or issued by July 29, 2010; or (k) ABH terminates the Backstop Commitment Agreement, in its sole discretion, for any reason other than those set forth in clauses (c)(i) through (c)(iv) of section 12 of the Backstop Commitment Agreement. <p>The amount of the Termination Payment depends on the timing of termination. If a Termination Payment Trigger occurs.</p> <ul style="list-style-type: none"> (i) after the date on which the Termination Payment is approved by the U.S. Bankruptcy Court but on or before the earlier of (x) the date on which this Backstop Commitment Agreement is approved by the U.S. Bankruptcy Court and (y) the later date on which an alternative transaction is approved by the U.S. Bankruptcy Court or Canadian Court (the "Approval Date"), the Termination Payment payable to all Investors shall be an

<u>PROVISION</u>	<u>DESCRIPTION OF BACKSTOP COMMITMENT</u>
	<p>aggregate amount equal to the lesser of (x) \$15,000,000 and (y) 5% of the capital raised in any alternative transaction, but not less than \$7,500,000;</p> <p>(ii) after the Approval Date but on or before October 15, 2010, the Termination Payment payable to all Investors shall be an aggregate amount equal to \$15,000,000; or</p> <p>(iii) after October 15, 2010, the Termination Payment payable to all Investors shall be an aggregate amount equal to the greater of (x) \$15,000,000 and (y) 6% of the Amount as in effect on October 15, 2010.</p>
<i>Termination Events</i>	<p>In addition to the termination events set forth in section 12 of the Backstop Commitment Agreement that give rise to a Termination Payment, the Backstop Commitment Agreement is subject to termination for any of the following reasons:</p> <p>(i) by mutual consent of the Majority Investors and ABH;</p> <p>(ii) (A) the U.S. Bankruptcy Court shall not have entered an order approving the Termination Payment, the reimbursement of Transaction Expenses and other relief requested by ABH, and the Canadian Court shall not have approved the Termination Payment, the reimbursement of Transaction Expenses and other relief requested by ABH, in each case, by June 25, 2010 and (B) if and to the extent the motion for approval of the Termination Fee contains a motion for relief that is specific to any Investor, then such Investor shall have the individual right to terminate, without the consent of the Majority Investors, should such relief not be approved by June 25, 2010; provided, that if any such Investor does so terminate pursuant to clause (B) above, then the other Investors may also elect to terminate, without the consent of the Majority Investors;</p>
<i>Competing Bids</i>	<p>The Backstop Commitment Agreement is subject to better offers. The Company may solicit competing bids through an auction process promptly upon entry of the Bid Procedures Order.</p>

Glossary of Terms:

- (i) “Affected Unsecured Claims” mean the various affected unsecured claims as described in the CCAA Plan.

- (ii) "Approval Date" means the date on which the Backstop Commitment Agreement or an alternative transaction is approved by the U.S. Bankruptcy Court.
- (iii) "Canadian Circular" means a notice of creditors meeting and information circular pertaining to the CCAA Plan.
- (iv) "Circular Order" means an order of the Canadian Court approving the mailing of the Canadian Circular and procedures for voting on the CCAA Plan and holding creditor meetings in connection with the CCAA Plan.
- (v) "Common Shares" means shares of common stock of ABH.
- (vi) "Disclosure Statement Order" means an order of the U.S. Bankruptcy Court approving the U.S. Disclosure Statement.
- (vii) "Eligible Claims" means claims of Eligible Holders.
- (viii) "Eligible Holders" means holders of Class 6 Claims under the U.S. Plan and holders of Affected Unsecured Claims under the CCAA Plan, in each case, excluding holders that receive distributions in cash pursuant to any convenience class.
- (ix) "Exit Financing Facilities" means collectively, the ABL Exit Financing Facility and the Term Loan Exit financing Facility (both as described in the U.S. Plan).
- (x) "Investors" means each respective undersigned investor.
- (xi) "Majority Investors" means a majority of Backstop Investors.
- (xii) "Outside Date" means the date that is later to occur of (i) October 15, 2010 and (ii) the date that is earlier to occur of (x) December 31, 2010 and (y) the latest date on which any of ABH's commitments for Exit Financing Facilities are scheduled to expire, so long as ABH's commitments for the Exit Financing Facilities are in form and substance reasonably acceptable to Majority Investors.
- (xiii) "Rights Offering" means a rights offering for the issuance of securities on terms and in substance reasonably satisfactory to the U.S. Debtors, in an amount not to exceed \$500 Million and consistent with the terms of the Backstop Commitment Agreement.

APPENDIX “L”

MATERIAL TERMS OF THE PLAN SUPPORT AGREEMENT

APPENDIX “L”

MATERIAL TERMS OF THE PLAN SUPPORT AGREEMENT

<u>PROVISION</u>	<u>DESCRIPTION OF TERM</u>
<i>Voting by Undersigned Holder</i>	The Undersigned Holder agrees for itself and on behalf of the accounts within its control that it shall be bound to, and will, timely vote its claim (and not revoke or withdraw its vote) in favor of the Plans.
<i>Implementation of the Plans</i>	<p>ABH shall use its commercially reasonable efforts to:</p> <ul style="list-style-type: none"> (a) effectuate and consummate the Restructuring on the terms described in the Plans; (b) obtain from the U.S. Bankruptcy Court an order confirming the U.S. Plan, which order shall be in form and substance materially consistent with the U.S. Plan and reasonably acceptable to the Majority Support Parties¹ (the “Confirmation Order”) and cause the Confirmation Order to be entered by the U.S. Court no later than October 15, 2010; (c) obtain from the Canadian Court an order sanctioning the CCAA Plan, which order shall be in form and substance materially consistent with the CCAA Plan and reasonably acceptable to the Majority Support Parties (the “Sanction Order”) and cause the Sanction Order to be entered by the Canadian Court no later than October 15, 2010; (d) cause the Effective Date (as defined in the U.S. Plan) to occur no later than October 29, 2010; (e) cause the Implementation Date (as defined in the CCAA Plan) to occur no later than October 29, 2010; and (f) take no actions that are materially inconsistent with Plan Support Agreement, the Backstop Commitment

¹ “Majority Support Parties” means Plan Support Parties representing 50% or more of the aggregate face value of the Note Claims of the Plan Support Parties, at the time the relevant determination is made.

<u>PROVISION</u>	<u>DESCRIPTION OF TERM</u>
	<p>Agreement, or the Plans or the expeditious effectuation and consummation of the Plans, or would discriminate unfairly as to creditors holding class 6 claims under the U.S. Plan.</p>
<p><i>Termination Events</i></p>	<p>The Plan Support Agreement shall terminate upon the occurrence of a Termination Event which shall occur upon written notice to the other party, and automatically upon the first to occur of any of the Termination Events listed in (v), (vi), (vii), (ix) or (x) below.</p> <p>The term "Termination Event," means any of the following events, whether voluntary or involuntary:</p> <ul style="list-style-type: none"> (i) ABH's board of directors determines, in its sole discretion, that continued pursuit of either or both of the Plans is inconsistent with its fiduciary duties or that either or both of the Plans is no longer confirmable or feasible; (ii) ABH files, supports or endorses a plan of reorganization, a plan of liquidation or a plan of compromise that is materially inconsistent with the Plans; (iii) a Confirmation Order reasonably acceptable to ABH and the Majority Support Parties is not entered by the U.S. Bankruptcy Court on or before the later of (x) October 15, 2010 and (y) the latest date on which ABH's commitments for the Exit Financing Faculties expire; (iv) a Sanction Order reasonably acceptable to ABH and the Majority Support Parties is not issued by the Canadian Court on or before the later of (x) October 15, 2010 and (y) the latest date on which ABH's commitments for the Exit Financing Faculties expire; (v) the Effective Date or the Implementation Date does not occur by December 31, 2010; (vi) the case of any material U.S. Debtor, or of any group of U.S. Debtors that collectively are material, is dismissed or converted to a case under chapter 7 of the Bankruptcy Code;

<u>PROVISION</u>	<u>DESCRIPTION OF TERM</u>
	<p>(vii) the case of any material CCAA Petitioner, or of any group of CCAA Petitioners that collectively are material, is dismissed or converted to a liquidating bankruptcy case under applicable Canadian bankruptcy law;</p> <p>(viii) the Confirmation Order or the Sanction Order is reversed on appeal or vacated;</p> <p>(ix) the U.S. Court shall enter an order in the case of any material U.S. Debtor, or in the cases of a group of U.S. Debtors that collectively are material, appointing (a) a trustee under chapter 7 or chapter 11 of the Bankruptcy Code, (b) a responsible officer, or (c) an examiner, in each case with enlarged powers relating to the operation of the business (powers beyond those set forth in subclauses (3) and (4) of section 1106(a)) under section 1106(b) of the Bankruptcy Code;</p> <p>(x) a trustee, receiver, receiver and manager or liquidator is appointed in the case of any material CCAA Petitioner, or in the cases of a group of CCAA Petitioners that collectively are material, under applicable Canadian law;</p> <p>(xi) any Party has breached any material provision of the Plan Support Agreement, and any such breach has not been duly waived or cured within five (5) business days of written notice by another Party to ABH and the breaching Party of such breach; <i>provided</i>, that if any Plan Support Party shall breach its obligations pursuant to this Agreement or any similar agreement executed by a Plan Support Party, a Termination Event arising as a result of such act or omission shall only give rise to a termination of the breaching Plan Support Party's Agreement;</p> <p>(xii) ABH (a) withdraws either or both of the Plans or (b) publicly announces its intention not to</p>

<u>PROVISION</u>	<u>DESCRIPTION OF TERM</u>
	<p>support either or both of the Plans;</p> <p>(xiii) any material change to the Plans shall have been made, or any exhibit, supplement, schedule or related or ancillary agreement or instrument or any amendment, modification, consent or waiver to any of the foregoing shall have been agreed to, entered into, executed and delivered, or filed with the Bankruptcy Courts or otherwise given effect pursuant to which (a) general unsecured creditors will receive a distribution of securities other than the New ABH Common Stock proposed to be distributed pursuant to the Plans or (b) the New ABH Common Stock to be distributed to general unsecured creditors, as allocated between the separate entity groupings within ABH's corporate structure based on historic operations (such groupings, as defined in the Disclosure Statement, the "Abitibi/D-Corp Companies" and the "Bowater Companies," respectively), will be distributed other than 60% of the New ABH Common Stock to be distributed to unsecured creditors of the Bowater Companies and 40% of the New ABH Common Stock to be distributed to unsecured creditors of the Abitibi/D-Corp Companies and, in each case, such change is not acceptable to the Undersigned Holder;</p> <p>(xiv) occurrence of the Termination Event described in Section 9(c);</p> <p>(xv) any court of competent jurisdiction or other competent governmental or regulatory authority issues an order making illegal or otherwise restricting, preventing or prohibiting the consummation of the transactions contemplated in the Plans, the Backstop Commitment Agreement or any of the related documentation or ancillary agreements in a way that cannot be reasonably remedied by ABH subject to the reasonable satisfaction of the Majority Support Parties;</p>

<u>PROVISION</u>	<u>DESCRIPTION OF TERM</u>
	<p>(xvi) if ABH or any party in interest obtains standing to assert, and files an objection or initiates a contested matter or adversary proceeding with the Bankruptcy Courts (or any other court) challenging an unsecured claim of any of the Undersigned Holders; or</p> <p>(xvii) excluding the occurrence of a material change to the Plans as described in Section 9(c) thereof, any other material change to the Plans, or any exhibit, supplement, schedule or related or ancillary agreement or instrument thereto, or ABH shall have agreed to, entered into, executed and delivered, or filed with either the U.S. Bankruptcy Court or the Canadian Court, any amendment, modification, consent or waiver to any of the foregoing, unless such material change is acceptable to the Majority Support Parties.</p>
<p><i>Material change in distribution percentage</i></p>	<p>There shall be a Termination Event if there is a material change to the percentage of New ABH Common Stock to be distributed to the Undersigned Holder, unless such material change has been mandated by an order of the Bankruptcy Courts over the objection or motion for disallowance by ABH or the Undersigned Holder.</p> <p>To determine whether there has been a material change to the percentage of New ABH Common Stock to be distributed to the Undersigned Holder, no later than three (3) days after the Confirmation Hearing, ABH shall deliver to the Undersigned Holder a certificate of a responsible officer (the “Recovery Certificate”) of ABH that includes:</p> <p>(g) a good faith statement of the total percentage of New ABH Common Stock reasonably expected to be received on the Effective Date by the Undersigned Holder on account of claims in class 6 of the U.S. Plan and Claims in the Affected Unsecured Creditor Classes of the CCAA Plan, predicated upon the analysis set forth (on a per bond issuance basis) on Exhibit 4 thereto (the total percentage of New ABH Common Stock set forth on the Exhibit 4 thereto for each applicable bond issuance, the “Fixed Percentage”) and after giving effect to the Disputed</p>

<u>PROVISION</u>	<u>DESCRIPTION OF TERM</u>
	<p>Claims Reserve (as defined in the Plans);</p> <p>(h) a representation to the Undersigned Holder that ABH reasonably believes in good faith that the total percentage of New ABH Common Stock expected to be received by the Undersigned Holder on account of the Undersigned Holder's relevant Claim(s) as of the Final Distribution Date (as defined in the U.S. Plan) will be the percentage stated in the certificate (the "Ultimate Recovery"), it being understood that ABH shall calculate the Ultimate Recovery using the same formula and methodology used to calculate the Fixed Percentage; and</p> <p>(i) a comparison of the Ultimate Recovery against the Fixed Percentage, along with an explanation of Claims included in calculating the Ultimate Recovery that were mandated by an order of the Bankruptcy Courts over the objection or motion for disallowance by ABH or the Undersigned Holder.</p> <p>If the Recovery Certificate delivered by ABH demonstrates that (A) the Ultimate Recovery is lower than the Fixed Percentage by more than five percent (5%) of the Fixed Percentage and (B) such reduced recovery is caused by additional allowed Claims (other than Claims mandated by an order of the Bankruptcy Courts over the objection or motion for disallowance by ABH or the Undersigned Holder), then a Termination Event shall have occurred and the Undersigned Holder shall have the right to terminate the Plan Support Agreement pursuant to section 9(b)(iii) thereof no earlier than three (3) days after delivery of the Recovery Certificate.</p>

APPENDIX “M”

**COMPARISON OF TERMINATION PAYMENTS IN RIGHTS
OFFERINGS/FINANCINGS**

Termination Fees and Standby Fees on Rights Offerings of Canadian Based Companies

Company Name	Date	Currency	Rights Offering Amount \$ million	Amount of Break Fees \$ million	Break Fees as a % of Purchase Price.	Standby Fees as a % of Purchase Price.	Notes
Air Canada	Apr-04	CDN	850	25.5	3.0%	1.5%	1
Tembec	Jan-08	US	310	8.5	2.8%	2.3%	2
Ainsworth	Jun-08	US	200	20	10.0%	3.0%	3
Saskatchewan Wheat Pool	Feb-05	CDN	150	6	4.0%	4.0%	4
Primary Energy Recycling	Oct-09	US	50		4.0%	4.0%	5
TimberWest Forest Corp	Dec-08	CDN	50		4.0%	4.0%	6
ATS Automation Tooling Systems Inc.	Jun-07	CDN	110		3.5%	3.5%	7
St Andrew Goldfields Ltd	Jan-07	CDN	124		6.0%	6.0%	8
Microcell Telecommunications Inc.	Nov-01	CDN	252		3.5%	3.5%	9
Telesystem International Wireless Inc.	Jan-01	CDN	357		4.0%	4.0%	10
				Mean Average	5.0%	3.5%	
				Median Average	3.5%	3.3%	

Notes:

- 1) Rights offering for shares formed part of the equity raise for Air Canada to emerge from its CCAA proceedings.
- 2) Rights offering for a term loan formed part of the recapitalization under Tembec's plan of arrangement under the CBCA.
- 3) Rights offering for senior unsecured notes formed part of the recapitalization under Ainsworth's plan of arrangement under the CBCA.
- 4) Rights offering for shares formed part of the recapitalization by Saskatchewan Wheat Pool's and continuance under the CBCA.
- 5) Rights offering for shares formed part of the recapitalization of Primary Energy Recycling Corporation.
- 6) Rights offering for convertible debentures formed part of a refinancing of TimberWest Forest Corp.
- 7) Rights offering for shares formed part of a financing to fund a subsidiary of ATS Automation Tooling Systems Inc.
- 8) Rights offering for shares and warrants formed part of a financing to retire certain debt of St. Andrew Goldfields Ltd.
- 9) Rights offering for shares formed part of the re-financing of Microcell Telecommunications Inc. pursuant to its CCAA proceedings.
- 10) Rights offering for shares formed part of a financing of Telesystem International Wireless Inc.

Termination Fees and Commitment Fees on U.S. Transactions

Company Name	Date	Currency	Rights Offering Amount \$ million	Amount of Break Fees \$ million	Break Fees as a % of Purchase Price.	Standby Fees as a % of Purchase Price.	Security	US Bankruptcy Court
Aventine Renewable Energy Holdings	Feb-10	USD	105	3.0	2.9%	Nil	senior secured notes and equity	Delaware
Landsource	Jun-09	USD			5.0%			Delaware
Cooper-Standard Holdings Inc	May-10	USD	355	12.4	3.5%	3.5%	shares	Delaware
Aleris International, Inc.	Jun-10	USD	690	19.2	2.8%	3.5%	shares and notes	Delaware
Accuride Corporation	Feb-10	USD	140	10.0	7.1%	4.0%	convertible notes	Delaware
Lyondell Chemical Company	Apr-10	USD	2,803	50.0	1.8%	2.5%	shares	New York
GSI Group Inc	May-10	USD	85	4.3	5.0%	5.0%	shares	Delaware
Spanston Inc.	Apr-10	USD	109	3.0	2.8%	4.1%	shares	Delaware
				Mean Average	3.9%	3.3%		
				Median Average	3.2%	3.3%		
Motor Coach	Oct-08	USD		"Topping Fee"	9%			Delaware

APPENDIX “N”

COMPARISON OF TERMINATION PAYMENTS IN ASSET TRANSACTIONS

Nortel Networks
Asset Sale & Break Fee Details

Asset Name	Cash Purchase	Amount of Break	Break Fees as	Purchaser	Notes
	Price*	Fees	a % of Purchase Price.		
	US \$ million	US \$ million			
Enterprise Solutions Business & Shares of Nortel Government Solutions	\$ 915	14.25	1.6%	Avaya	1
Optical Networking & Carrier Ethernet	\$ 774	10.696	1.4%	Ciena	2
CVAS	\$ 282	5.0	1.8%	Genband	3
CDMA & LTE Access assets	\$ 650	11.3	1.7%		4
GSM/GSM-R	\$ 103	3.09	3.0%	Ericson/Kapsch	
		Mean Average	1.9%		
		Median Average	1.7%		

Notes:

- 1) Break fee of \$14.25M to be reduced by expense reimbursement amounts.
- 2) Break fee of \$10.7M is in excess of the expense reimbursement (maximum expense reimbursement of \$3,565,333).
- 3) The cash proceeds on closing was \$182M due to a purchase price adjustment. The break fee as per the sale agreement was \$5M but the seller was obligated to pay only 2/3 of break fee in the case.
- 4) Nokia put forth a stalking horse bid of \$650M which was lower than the subsequent bid by Ericson. The \$11.3M break fee was reimbursed to Nortel by Ericson upon closing of the sale to Ericson.

*Purchase prices are subject to post-closing working capital adjustments.

Pope & Talbot Inc.
Asset Sales & Break Fee Details

Asset Name	Cash Purchase	Amount of Break	Break Fees as	Purchaser	Notes
	Price*	Fees	a % of Purchase Price.		
	CDN \$ million	CDN \$ million			
Forestry assets	69	3.2	5%	International Forest Products Limited	1
Forestry assets	12.8	0.65	5%	Conifex	2
		Mean Average	5%		
		Median Average	5%		

Notes:

- 1) Sale of assets was by the vendor under CCAA and Chapter 11 proceedings
- 2) Sales of assets was by a receiver of the Pope & Talbot entities

Combined Pope & Talbot Inc. and Nortel Networks

Mean Average	2.8%
Median Average	1.8%

Stelco Inc.

Under the Stelco Inc. CCAA proceedings, Deutsche Bank acted as a "stalking horse" for exit financing of a CDN \$500M first priority senior secured syndicated asset based loan, CDN \$300M second priority senior secured convertible notes and CDN \$100M second priority senior secured bridge notes. Deutsche Bank was entitled to a break fee that increased as time passed which was capped at \$11.5M. The break fee of \$11.5M was subsequently paid by Stelco Inc.

