

CANADA

SUPERIOR COURT

PROVINCE OF QUÉBEC
DISTRICT OF
MONTREAL

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

No.: 500-11-036133-094

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

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

And

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

And

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

And

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

Petitioners

And

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

Information Officer

**FIFTH REPORT OF THE INFORMATION OFFICER
February 17, 2010**

INTRODUCTION

1. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. ("**BI**") and certain of their direct and indirect U.S. and Canadian subsidiaries, including Bowater Canadian Holdings Incorporated ("**BCHI**") and Bowater Canadian Forest Products Inc., (collectively, the "**U.S. Debtors**") commenced voluntary proceedings (the "**Chapter 11 Proceedings**") for relief under Chapter 11 ("**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**"). ABH LLC 1 and ABH Holding Company, two subsidiaries of ABH, commenced voluntary proceedings under Chapter 11 on December 21, 2009, and count among the U.S. Debtors.
2. On April 17, 2009, Abitibi-Consolidated Inc. ("**ACI**") and its subsidiaries (collectively, the "**Abitibi Petitioners**") and BCHI and its subsidiaries and affiliates (collectively, the "**Bowater Petitioners**" and, together with the Abitibi Petitioners, the "**CCAA Petitioners**") commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, as amended, (the "**CCAA**") pursuant to an Order of this Honourable Court (the "**Initial Order**"). Abitibi- Consolidated (U.K.) Inc., a subsidiary of ACI, was added as an Abitibi Petitioner in the CCAA Proceedings pursuant to an Order of this Honourable Court dated November 10, 2009. The Abitibi Petitioners are listed in Appendix "A" attached hereto and the Bowater Petitioners are listed in Appendix "B."
3. The CCAA Petitioners include BCHI, Bowater Canada Finance Corporation, Bowater Canadian Limited, Bowater Canadian Forest Products Inc. ("**BCFPI**"), Bowater LaHave Corporation and Bowater Maritimes Inc. which have commenced both CCAA Proceedings and Chapter 11 Proceedings (the "**Cross-Border Petitioners**").
4. Pursuant to the Initial Order, Ernst & Young Inc. ("**EYI**") was appointed as monitor of the CCAA Petitioners (the "**Monitor**").
5. On April 17, 2009, ABH and the other petitioners listed on Appendix "C" hereto (collectively, the "**18.6 Petitioners**") obtained Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11.
6. Pursuant to paragraph 78 of the Initial Order, EYI was appointed as the information officer in respect of the 18.6 Petitioners (the "**Information Officer**").

PURPOSE

7. The Initial Order provides that the Information Officer shall report to this Honourable Court at least once every two months (or at such times or intervals as the Information Officer deems appropriate) with an outline of the status of the Chapter 11 Proceedings in respect of the 18.6 Petitioners and such other information as the Information Officer believes to be material.
8. This is the Information Officer's fifth report (the "**Fifth Report**") and provides an update on the Chapter 11 Proceedings since the Fourth Report of the Information Officer dated December 17, 2009 (the "**Fourth Report**").

TERMS OF REFERENCE

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

BACKGROUND

12. ABH is one of the world's largest publicly traded paper and forest product companies. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. ABH and its subsidiaries operate or own interests in pulp and paper facilities, wood products facilities and recycling facilities located in Canada, the United States, the United Kingdom and South Korea.
13. Incorporated in Delaware and headquartered in Montreal, Quebec, ABH functions as a holding company; its business is conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC, ACI and AbitibiBowater U.S. Holding LLC ("**ABH LLC**").

14. The CCAA Petitioners and the U.S. Debtors are all subsidiaries of ABH.

THE CHAPTER 11 PROCEEDINGS

15. Since the issuance of the Fourth Report, the Information Officer has been advised that the following significant relief was granted in the Chapter 11 Proceedings with respect to the 18.6 Petitioners:
- (i) approval of the stipulation between the U.S. Debtors and Wells Fargo Bank, N.A., in its capacity as administrative agent for the lenders party to a certain term loan agreement (the "ACCC Term Lenders"), regarding the use of proceeds from the sale of certain assets in Lufkin, Texas, and amending the sale order regarding such sale;
 - (ii) approval of the supplemental joint administration of the Chapter 11 cases of ABH LLC 1 and ABH Holding Company with the other U.S. Debtors, as part of the CCAA Petitioners' and U.S. Debtors' tax restructuring steps which were approved by this Honourable Court on December 1, 2009;
 - (iii) authorization of Abitibi Consolidated Sales Corp. ("ACSC") to (a) enter into a purchase and sale agreement with respect to the sale of certain real property and related improvements that constituted ACSC's former paper mill operations in Steilacoom, Washington (the "Steilacoom Assets") to Ralston Investments, Inc. ("Ralston") free and clear of all liens; (b) assign executory contracts and unexpired leases; and (c) pay the seller's broker's commission equal to 6% of the purchase price (collectively, the "Steilacoom Sale");
 - (iv) approval of a settlement agreement among certain individual claimants, the U.S. Debtors and Jeffrey Trammel relating to a traffic accident;
 - (v) extension of the U.S. Debtors' exclusive periods to file a Chapter 11 plan(s) through and including April 15, 2010 and to solicit the acceptance of such plan(s) through and including June 11, 2010;
 - (vi) approval of a cross-border claims protocol establishing procedures with respect to the review and reconciliation of claims filed against the Cross-Border Petitioners

which was also approved in the CCAA Proceedings by this Honourable Court on January 18, 2010;

- (vii) approval of BI's assumption of the Sludge Dewatering Project Agreement No. BOW2013JP with Turner Specialty Services LLC; and
- (viii) approval of a stipulation between the U.S. Debtors, Aurelius Capital Management, LP, the Official Committee of Unsecured Creditors, Avenue Investments, L.P., Wachovia Bank N.A., Fairfax Financial Holdings Ltd., Bank of Nova Scotia and Law Debenture Trust Company of New York, as DIP Indenture Trustee, regarding the amendment of the Final Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507 (1) Approving Post-petition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection and (5) Modifying the Automatic Stay entered by the U.S. Bankruptcy Court on June 4, 2009.

16. Since the issuance of the Fourth Report, the Information Officer has been advised that the following significant motions were filed and are currently pending in the Chapter 11 Proceedings:

- (i) a motion by Imerys Clays, Inc. and Imerys Canada L.P. for allowance and payment of an administrative expense claim in the amount of US\$396,953 as against BI and US\$334,741 as against BCFPI. This motion is currently scheduled to be heard on February 22, 2010;
- (ii) a motion by the U.S. Debtors to dismiss the Chapter 11 case of ABH LLC 2 ("LLC 2"). A hearing for this motion is scheduled for February 22, 2010;
- (iii) a motion by the Official Committee of Unsecured Creditors seeking authority to commence and prosecute certain claims of the U.S. Debtors' estates pursuant to Section 548 of the U.S. Bankruptcy Code against Wells Fargo Bank, National Association, as successor administrative agent for the ACCC Term Lenders, and requesting an extension of related investigation deadlines. This motion is currently scheduled to be heard on March 23, 2010;
- (iv) a motion by George L. Miller, Chapter 7 Trustee for the Bankruptcy Estates of Pope & Talbot, Inc., *et al.*, for authority to file a pre-petition late claim in the

amount of US\$530,619. This motion is scheduled to be heard on March 23, 2010; and

(v) a motion by the U.S. Debtors to establish a final date for any person who was an employee of the U.S. Debtors as of April 16, 2009 or thereafter to file proofs of claim in the Chapter 11 Proceedings (the "**Employee Claims Motion**"). There is a similar motion before this Honourable Court.

17. The U.S. Debtors continue to file notices of settlement of ordinary-course claims and notices of the assumption, assignment and/or rejection of leases and executory contracts in the usual manner.
18. The Information Officer has also been advised that administrative expense claims, fee applications and motions for relief from the stay continue to be resolved in the usual manner.

STEILACOOM SALE

19. The Steilacoom Sale is the culmination of the U.S. Debtors' efforts to divest themselves of a closed newsprint mill located in Steilacoom, Washington (the "**West Tacoma Mill**"). ACSC acquired the West Tacoma Mill in 1997 and permanently closed the facility in 1999 after determining it was unprofitable. The Steilacoom Assets that are the subject of the Steilacoom Sale include the entire West Tacoma Mill and the underlying real property.
20. The Information Officer has been advised that the U.S. Debtors have been trying to sell the West Tacoma Mill for the last eight years. The unique nature of the property and a dispute with a potential buyer complicated the sale process such that the U.S. Debtors were unable to attract a viable offer until recently. Ralston, a prequalified offeror in the initial bidding process, contacted ACSC with an offer to purchase the Steilacoom Assets for US\$4.5 million. ACSC determined that Ralston's offer represented the highest and best offer for the Steilacoom Assets. Ralston and ACSC subsequently negotiated a purchase and sale agreement which was approved by the U.S. Bankruptcy Court on January 19, 2010.

LLC 2


21. LLC 2, a special purpose vehicle, was formed in connection with a series of transactions designed to address a potential US\$55.25 million withholding tax liability through the payment of certain intercompany debt (the "**Repayment Steps**"), as approved by this Honourable Court in the CCAA Proceedings on December 1, 2009 and described in the Fourth Report. Pursuant to the Repayment Steps, LLC 2 no longer exists as an independent legal entity and the U.S. Debtors have moved to dismiss its Chapter 11 case.

EMPLOYEE CLAIMS MOTION

22. The U.S. Debtors, in cooperation with the CCAA Petitioners and the Monitor, have requested that the U.S. Bankruptcy Court approve April 7, 2010 as the final bar date for persons employed by any of the U.S. Debtors as of April 16, 2009 or thereafter to file proofs of claims. This deadline is intended to capture those employee claims that were excluded from the general claims bar date of November 13, 2009. Employees may file claims for amounts owing as of April 16, 2009 as well as amounts owing after April 16, 2009 through to February 28, 2010 (but excluding amounts owed for ordinary payroll obligations or for reimbursement of employee expenses scheduled to be paid in the ordinary course). The Employee Claims Motion is currently scheduled to be heard by the U.S. Bankruptcy Court on February 22, 2010.

All of which is respectfully submitted.

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

Per: 
Alex Morrison, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

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. Canoxel Hardboard Inc.
13. 9068-9050 Québec Inc.
14. Alliance Forest Products Inc. (2001)
15. Bowater Belledune Sawmill Inc.
16. Bowater Maritimes Inc.
17. Bowater Mitis Inc.
18. Bowater Guérette Inc.
19. Bowater Couturier Inc.

APPENDIX "C"

18.6 PETITIONERS

20. AbitibiBowater US Holding 1 Corp.
21. AbitibiBowater Inc.
22. Bowater Ventures Inc.
23. Bowater Incorporated
24. Bowater Nuway Inc.
25. Bowater Nuway Mid-States Inc.
26. Catawba Property Holdings LLC
27. Bowater Finance Company Inc.
28. Bowater South American Holdings Incorporated
29. Bowater America Inc.
30. Lake Superior Forest Products Inc.
31. Bowater Newsprint South LLC
32. Bowater Newsprint South Operations LLC
33. Bowater Finance II, LLC
34. Bowater Alabama LLC
35. Coosa Pines Golf Club Holdings, LLC