

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF
MONTRÉAL

No.: 500-11-036133-094

SUPERIOR COURT

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

**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

**SEVENTY-EIGHTH REPORT OF THE MONITOR
November 15, 2011**

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, along with their successor entities, where applicable, 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 was subsequently extended to the date of implementation of the CCAA Plan (as defined herein) pursuant to further Orders of this Honourable Court. The date of implementation of the CCAA Plan was December 9, 2010.
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 (“**BCFC**”), Bowater Canadian Limited, AbitibiBowater Canada Inc., BCFPI, Bowater LaHave Corporation and Bowater Maritimes Inc. 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**”. The Petitioners, without BCFC, are referred to herein as the “**Applicants**”.

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 Abitibi-Consolidated Company of Canada (“**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.
9. On December 10, 2010, ACI was renamed AbiBow Canada Inc. as a result of the corporate reorganization undertaken pursuant to these CCAA Proceedings.

PURPOSE

10. The purpose of this seventy-eighth report of the Monitor (the “**Seventy-Eighth Report**”) is to report to this Honourable Court with respect to (i) the number of shares that were distributed on account of unsecured claims as at the Sixth Distribution Date (defined herein) in respect of each class of Affected Unsecured Creditors (defined herein); and (ii) provide a summary of all shares distributed to date on account of the claims of the Affected Unsecured Creditors and (iii) report on Additional Late Claims (as defined herein).

TERMS OF REFERENCE

11. In preparing this Seventy-Eighth 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 Seventy-Eighth Report. Some of the information referred to in this Seventy-Eighth Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this Seventy-Eighth 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.
12. Capitalized terms not defined in Seventy-Eighth 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.
13. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Seventy-Eighth Report, and all motion records and Orders in the CCAA Proceedings are available on the Monitor's website at www.ey.com/ca/abtibowater. 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.
14. 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/abtibowater>. The Monitor has included a link to Epiq's website from the Monitor's website.

IMPLEMENTATION OF THE CCAA PLAN

15. At the meeting of all classes of creditors of the Petitioners on September 14, 2010, the resolution approving the Plan of Reorganization and Compromise, as amended, supplemented and restated (the “**CCAA Plan**”), was overwhelmingly approved by each of the classes of unsecured creditors of the Petitioners affected by the CCAA Plan (the “**Affected Unsecured Creditors**”), save and except for the Affected Unsecured Creditors of BCFC.¹
16. On September 23, 2010, this Honourable Court issued an order (the “**Sanction Order**”) approving the CCAA Plan in respect of the Petitioners, save and except for BCFC.
17. In the Chapter 11 Proceedings, the U.S. Debtors filed with the U.S. Bankruptcy Court a plan related to the joint reorganization of the U.S. Debtors under the U.S. Bankruptcy Code (the “**U.S. Plan**”). On November 23, 2010, the U.S. Bankruptcy Court entered an order confirming the U.S. Plan.
18. As reported in the Seventieth Report of the Monitor dated December 16, 2010 (the “**Seventieth Report**”), the CCAA Plan was implemented on December 9, 2010 (the “**Implementation Date**”) and the effective date under the U.S. Plan was also December 9, 2010.
19. On the Implementation Date, the Applicants and the U.S. Debtors emerged from the CCAA Proceedings and Chapter 11 Proceedings, respectively.
20. As described in greater detail in the Seventieth Report, the “**Initial Distribution Date**” in respect of Affected Unsecured Creditors under the CCAA Plan was December 17, 2010.
21. As reported in the Seventy-Second Report of the Monitor dated March 16, 2011, the “**Second Distribution Date**” in respect of Affected Unsecured Creditors under the CCAA Plan was February 15, 2011.

¹ On December 31, 2010, BCFC made an assignment in bankruptcy under the provisions of the *Bankruptcy and Insolvency Act* (Canada).

22. As reported in the Seventy-Fourth Report of the Monitor dated May 9, 2011, the “**Third Distribution Date**” in respect of Affected Unsecured Creditors under the CCAA Plan was April 18, 2011.
23. As reported in the Seventy-Fifth Report of the Monitor dated July 15, 2011, the “**Fourth Distribution Date**” in respect of Affected Unsecured Creditors under the CCAA Plan was June 17, 2011.
24. As reported in the Seventy-Sixth Report of the Monitor dated September 12, 2011, the “**Fifth Distribution Date**” in respect of Affected Unsecured Creditors under the CCAA Plan was August 16, 2011

THE SIXTH DISTRIBUTION

25. The “**Sixth Distribution Date**” in respect of Affected Unsecured Creditors under the CCAA Plan was October 17, 2011.
26. The Monitor has prepared a summary, a copy of which is attached as Appendix “E”, that details the status of all unsecured claims and the number of shares issued to each Affected Unsecured Creditor Class as at the Sixth Distribution Date (the “**Unsecured Creditor Sixth Share Distribution**”). The summary includes:
 - (a) the unsecured claim amounts that have been accepted, including the unsecured claims that received (or will receive – see next paragraph) a cash distribution rather than a share distribution under the CCAA Plan;
 - (b) the unsecured claim amounts that have been accepted for which a share distribution has not yet taken place. As outlined in the Monitor’s Sixty-Ninth Report dated December 7, 2010 (the “**Sixty-Ninth Report**”) the Petitioners are required to receive clearance from Service Canada (“SC”) for each former or current employee who receives a distribution under the CCAA Plan on account of earnings for a period of time when that employee may have received employment insurance benefits. The Petitioners are further required to withhold any amount owing to SC as a repayment of employment insurance benefits from any

distributions under the CCAA Plan and remit that amount directly to the Receiver General. The Petitioners have been providing SC the necessary information in order to obtain the required clearances;

- (c) the unsecured claim amounts that (i) remain under review or (ii) remain in dispute (in respect of which a reserve has been established by the Monitor (including ACI SERP claims as described in the Sixty-Ninth Report));
 - (d) the corresponding number of shares that were distributed at the Initial Distribution Date, the Second Distribution Date, the Third Distribution Date, the Fourth Distribution Date, the Fifth Distribution Date and the Sixth Distribution Date;
 - (e) the corresponding number of shares that have been set aside in reserve with the Monitor;
 - (f) the total number of shares allocated to each class of Affected Unsecured Creditors under the CCAA Plan; and
 - (g) the number of shares that have been distributed as at the Sixth Distribution Date for unsecured claims that have been accepted per \$1,000 of claims in each class of Affected Unsecured Creditors.
27. Creditors with claims under review will be included in subsequent distributions once their respective claims have been determined. In addition, any claims that remain in dispute will be included in subsequent distributions once those disputes have been resolved. In accordance with the CCAA Plan and the Sanction Order, the Petitioners have established reserves with respect to claims under review or in dispute pending resolution.

ADDITIONAL LATE CLAIMS

28. 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**”).
29. 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.

30. On January 18, 2010, this Honourable Court issued an order (the “**Claims Determination Order**”) approving the methodology applicable to the review and determination of claims filed against the Petitioners, the Partnerships and the Cross-Border Petitioners.
31. 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, subject to a 30-day rolling bar date for restructuring claims (the “**Second Claims Bar Date**”).
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**”.
33. Pursuant to the Order dated October 15, 2010 (the “**October Late Claims Order**”), this Honourable Court declared that, notwithstanding the Claims Procedure Orders and the Claims Bar Dates, claims filed against the Petitioners with the Monitor that fall within the category of Additional Late Claims (as defined and summarized in the Sixty-Fifth Report of the Monitor dated October 7, 2010 (the “**Sixty-Fifth Report**”) and which summary may be updated from time to time by the Monitor upon notice to the Service List without further Order of this Honourable Court), shall be deemed to be timely filed with the Monitor for the purposes of the Claims Process.
34. The Monitor received three claims against ACCC totalling CDN\$25,938 that were received prior to the issuance of the Sixty-Fifth Report that were not identified in the Sixty-Fifth Report and, therefore, not addressed in the October Late Claims Order. In accordance with the October Late Claims Order, the Monitor intends to accept such claims for filing purposes in the Claims Process, provided that such claims remain subject to the Claims Determination Order.

35. Subsequent to the filing of the Sixty-Fifth Report but prior to the issuance of the October Late Claims Order the Monitor received an additional late claim against ACCC for \$10,564. The Monitor intends to accept such claim for filing purposes in the Claims Process, provided that such claim remains subject to the Claims Determination Order.

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", written over a horizontal line.

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**

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

AbitibiBowater Inc. et al.
The Petitioners' Distribution Summary
As of the Sixth Distribution Record Date

Affected Unsecured Creditor Class	Unsecured Claims				Maximum Unsecured Claims Population Including Reserves as at the Sixth Distribution Date (CDN\$000's)	
	Unsecured Claims Accepted as at the Sixth Distribution Date (CDN\$000's)	Unsecured Claims Accepted for will Receive a Cash Distribution (CDN\$000's)	Unsecured Claims Accepted that have not yet Received a Share Distribution (Note 2) (CDN\$000's)	Net Unsecured Claims Accepted who Received a Share Distribution (CDN\$000's)	Unsecured Claims Reserves as at the Sixth Distribution Date (CDN\$000's)	F=A+E
ACI Affected Unsecured Creditor Class (Note 1)	3,492,233	650	\$	\$	552,160	\$
ACCC Affected Unsecured Creditor Class (Note 1)	3,573,803	33,786	7,289	3,532,719	296,278	3,870,081
Saguenay Forest Products Affected Unsecured Creditor Class (Note 1)	10,526	2,571	654	54,362	64,888	64,888
BCFP Affected Unsecured Creditor Class	422,549	7,621	10,348	404,680	568,625	568,625
AbitibiBowater Canada Affected Unsecured Creditor Class	-	-	-	-	59,784	59,784
Bowater Maritimes Affected Unsecured Creditor Class	2,562	50	581	1,931	63,881	63,881
ACNS Affected Unsecured Creditor Class (Note 1)	1	1	-	-	61,319	61,319
Office Products Affected Unsecured Creditor Class (Note 1)	431	-	-	431	55,797	55,797
Recycling Affected Unsecured Creditor Class (Note 1)	196	-	-	196	56,228	56,228
15.5% Senior Unsecured Notes	371,480	-	-	371,480	55,993	55,993
						371,480

Note 1: Unsecured Claims Accepted as at the Sixth Distribution exclude the 15.5% Senior Unsecured Notes

Note 2: These are unsecured claims from employees or former employees that have been accepted but shares cannot be distributed until the Petitioners' obtain clearance from Service Canada as to any amounts that need to be repaid to Service Canada with respect to employment insurance.

Affected Unsecured Creditor Class	Shares Distributed as at the Initial Distribution Date (Note 1)	Net Shares Distributed at the Second Distribution Date	Net Shares Distributed at the Third Distribution Date	Net Shares Distributed at the Fourth Distribution Date	Net Shares Distributed at the Fifth Distribution Date	Net Shares Distributed at the Sixth Distribution Date	Shares Reserved as at the Sixth Distribution Date	Total Shares to be Issued per the CCAA Plan (Schedules C & D of the CCAA Plan)	Number of Shares per \$1,000 of Accepted Claim Issued as at the Sixth Distribution Date
G	H	I	J	K	L	N		N+G+H+I+J+K+L+M	(G+H+I+J+K+L+M) D
ACI Affected Unsecured Creditor Class	3,583,137	32,609	152,427	896	200	27,428	601,132	4,397,820	1.09
ACCC Affected Unsecured Creditor Class	18,165,359	64,386	269,544	74,524	80,304	54,814	1,789,460	20,498,381	5.39
Saguenay Forest Products Affected Unsecured Creditor Class	492	69	80	12	19	1	5,274	5,947	0.09
BCFP Affected Unsecured Creditor Class	3,495,606	142,968	844,671	94,245	136,086	137,630	1,993,700	6,845,106	11.99
AbitibiBowater Canada Affected Unsecured Creditor Class	-	-	-	-	-	-	2	2	-
Bowater Maritimes Affected Unsecured Creditor Class	927	56	77	29	-	265	43,452	44,806	0.70
ACNS Affected Unsecured Creditor Class	-	-	-	-	-	-	46,882	46,882	0.03
Office Products Affected Unsecured Creditor Class	15	-	-	-	-	-	1,940	1,955	0.01
Recycling Affected Unsecured Creditor Class	-	1	-	-	-	-	276	277	-
15.5% Senior Unsecured Notes	4,439,680	-	-	-	-	-	-	4,439,680	11.95
	29,685,216	240,089	1,266,799	169,706	216,609	220,338	4,482,118	36,280,875	

Note 1: The amount of shares distributed vary slightly from those reported in the Member's Statement Report to account for rounding