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

SEVENTY-FIRST REPORT OF THE MONITOR
February 21, 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-first report of the Monitor (the "**Seventy-First Report**") is to report to this Honourable Court with respect to the Motion of the Applicants (the "**Motion for Discharge Orders**") for:

    (a) an order in connection with the radiation or discharge of several hypothecs, liens, charges or other encumbrances registered in land registers and public registers situated in the Provinces of Quebec and Ontario on certain immovable assets owned by the Applicants, all of which are set forth in Exhibit P1 of the Applicants' Motion; and

    (b) an order in connection with the cancellation of several registrations published against the Applicants in the Quebec Register of Personal and Moveable Real

Rights and the Personal Property Registers of the Provinces of British Columbia, Manitoba, Ontario and New Brunswick, as well as the Canadian Intellectual Property Office, all of which are set forth in Exhibit P2 of the Applicants' Motion.

TERMS OF REFERENCE

11. In preparing this Seventy-First 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-First Report. Some of the information referred to in this Seventy-First 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-First 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-First 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-First Report, and all motion records and Orders in the CCAA Proceedings are 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.

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/abitibibowater. 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 the Affected Unsecured Creditors of the Petitioners, 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 a confirmation order approving the U.S. Plan.

18. As reported in the Seventieth Report of the Monitor dated December 16, 2010, 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.

OUTSTANDING SECURED CLAIMS

20. As at the Implementation Date, a number of secured claims filed in the CCAA Proceedings had not been resolved. Such secured claims were either in dispute or had not been fully reconciled by the Applicants.

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

21. Paragraph 17 of the Sanction Order provides that if the amount of any secured claim is in dispute, the full amount in dispute may be paid to the Monitor and, upon payment of such amount, all related security and the registrations thereof are to be released, discharged and cancelled. Paragraph 17 is reproduced in part below:

> For the purposes of the present paragraph [17], in the event of any dispute as to the amount of any Secured Claim, the Applicants, Partnerships or Reorganized Debtors, as the case may be, shall be permitted to pay to the Monitor the full amount in dispute (as specified by the affected Secured Creditor or by this Court upon summary application) and, upon payment of the amount not in dispute, receive the releases, discharges, authorizations, directions, instruments notices or other documents as provided for therein. Any amount paid to the Monitor in accordance with this paragraph shall be held in trust by the Monitor for the holder of the Secured Claim and the payer as their interests shall be determined by agreement between the parties or, failing agreement, as directed by this Court after summary application.

22. To facilitate implementation of the CCAA Plan, pursuant to paragraph 17 of the Sanction Order, the Applicants funded the Monitor, in escrow, CDN $34,750,352 to be used to satisfy the unresolved secured claims when such claims were finally determined.

23. Since the Implementation Date, a number of these secured claims have been resolved and payments have been made by the Monitor to the affected secured creditors. Excess funds, usually as a result of claims being settled for lower amounts than had been funded by the Applicants, have been returned to the Applicants. As of February 15, 2011, the Monitor continues to hold CDN$11,837,535 in trust on account of disputed secured claims.

24. The following summarizes the status of the claims listed in the Applicants' Motion for Discharge Orders in respect of which the Monitor held or continues to hold funds in trust on account of disputed secured claims.

<u>Procureur général du Québec</u>

25. Procureur général du Québec ("**Procureur**") filed a secured claim in the amount of CDN$111,878 (the "**Procureur Funds**") against BCFPI in respect of judgements for infractions under the *Forestry Act* (Quebec). The Monitor issued a Notice of Revision

and Disallowance to Procureur on the basis that the claim was unsecured. Procureur originally disputed the Notice of Revision, but recently withdrew its dispute. The Monitor is in the process of returning the Procureur Funds to the Applicants.

Guay Inc.

26. Guay Inc. ("**Guay**") filed multiple claims against ACI in the aggregate amount of CDN$31,220, portions of which were characterized as secured. The Monitor issued a Notice of Revision and Disallowance revising the claim to unsecured status as against ACCC and revising the aggregate amount of the claim to CDN$14,795 on the basis that Guay failed to provide sufficient details to validate its secured claim. In addition, a number of invoices included in the original claim were post filing invoices (for services rendered after the initial filing date of April 16, 2009) and were to be paid by the Applicants in the normal course of business. Guay did not dispute the Notice of Revision and received a distribution pursuant to the CCAA Plan in December 2010.

27. Prior to the Implementation Date, the Petitioners' counsel advised the Monitor of the various registrations filed by Guay. As a conservative measure, the Applicants funded the Monitor CDN$19,560 to be held in trust in the event there was a dispute with respect to the removal of the liens.

Province of British Columbia

28. Her Majesty the Queen in the right of the Province of British Columbia ("**BC**") filed a claim in the amount of CDN$2,608,708 against ACCC. The proof of claim alleged that in excess of CDN$2,000,000 was secured.

29. BC received approximately CDN$600,000 on account of its claim upon the closing of the sale of the MacKenzie saw mill and paper mill that was approved by Order of this Honourable Court dated March 23, 2010.

30. The Monitor and the Applicants have reviewed the balance of BC's proof of claim and have had recent discussions with counsel to BC with respect to settling the amount of this claim. These discussions include the possibility of setting off a portion of BC's claim

against cash security deposits held by BC. It is expected that the claim will be settled for an amount significantly less than the CDN$2.6 million currently held by the Monitor in escrow.

31. BC also filed a claim against BCFPI in the amount of CDN$7,443.16 which primarily relates to property taxes. The Monitor is currently reviewing this claim and is holding that amount in trust pending resolution of the claim.

Kal Tire

32. Kal Tire filed a secured claim in the amount of CDN$6,626.03 against ACI. The Monitor issued a Notice of Revision and Disallowance reclassifying Kal Tire as an unsecured creditor with a claim against ACCC. The Notice of Revision and Disallowance was not disputed and Kal Tire received a distribution under the CCAA Plan in December 2010.

Metso Paper Ltd.

33. Metso Paper Ltd. ("**Metso**") filed a secured claim in the amount of CDN$63,997 against ACI and a secured claim in the amount of CDN$62,432 against BCFPI. Metso also filed various unsecured claims against the Petitioners. The Monitor currently holds CDN$63,997 and CDN$62,432 in trust pending resolution of the Metso claims. The Monitor and the Petitioners are still reviewing and reconciling the claims filed by Metso.

DISCHARGE OF REGISTRATIONS

34. The Monitor confirms that, as discussed above, pursuant to paragraph 17 of the Sanction Order, it continues to hold CDN$11,837,535 in trust. This amount represents the total amount of secured claims that remain outstanding and are subject to review and reconciliation. All immovable and movable registrations resulting from secured claims, the full amount of which is held in trust by the Monitor, can be discharged and cancelled at this time without prejudice to the secured creditors who have filed these registrations.

35. In addition, pursuant to the orders of this Honourable Court dated August 26, 2009 and February 23, 2010, the claims of any creditors who have not filed a proof of claim in the claims process are forever barred. Therefore, any immovable and movable registrations

resulting from secured claims that are barred from being asserted may be properly discharged and cancelled at this time.

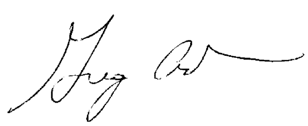
RECOMMENDATION

36. The Monitor recommends that this Honourable Court grant the Applicants' Motion for Discharge Orders.

All of which is respectfully submitted.

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