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

SUPPLEMENTAL FORTY-FOURTH REPORT OF THE MONITOR
JUNE 22, 2010

INTRODUCTION AND PURPOSE OF THIS REPORT

1. This is a supplemental report to the Forty-Fourth Report of the Monitor dated June 7, 2010 (the "**Forty-Fourth Report**") in the CCAA Proceedings (the "**Supplemental Forty-Fourth Report**"). The purpose of this Supplemental Forty-Fourth Report is to advise this Honourable Court with respect to the Bid Procedures and auction process in connection with the Petitioner's motion to approve the Backstop Commitment Agreement (as defined in the Forty-Fourth Report).

2. The background with respect to the CCAA Proceedings is set forth in the Forty-Fourth Report.

3. Capitalized terms not defined in this Supplemental Forty-Fourth Report are as defined in the Forty-Fourth Report.

BID PROCEDURES AND AUCTION PROCESS

<u>The Canadian Proceedings</u>

4. As part of the exit financing, the Petitioners intend to raise up to $500 million through the issuance of convertible notes pursuant to a rights offering (the "**Rights Offering**") to be made available to unsecured creditors under both the CCAA Plan and the U.S. Plan.

5. On May 24, 2010, to ensure that the Rights Offering is successful in raising the required funds, the Petitioners entered into an agreement with certain investors who hold a significant amount of their unsecured bond debt (the "**Backstop Investors**") so as to secure their commitment to purchase any notes not subscribed by the unsecured creditors in the Rights Offering (the "**Backstop Commitment Agreement**").

6. This Backstop Commitment Agreement is intended to serve as a "stalking horse bid" in a formal process of bid procedures and auction designed to test the terms of the backstop arrangement in the market (the "**Bid Procedures**").

7. On June 10, 2010, this Honourable Court issued an Order (the "**Canadian Bid Order**") approving the Bid Procedures in respect of the Rights Offering as summarized in the Forty-Fourth Report and established a Bid Procedure deadline of June 18, 2010 at 5:00pm (ET) (the "**Canadian Bid Deadline**") for competing bids. The Canadian Bid Order also authorized the Petitioners to conduct an auction on June 21, 2010 at 10:00 am at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York or such later time or other place that the Petitioners would establish following consultations with certain parties.

8. The Petitioners have advised that no bid of any kind has been received either prior to or after the Canadian Bid Deadline. No person has contacted the Monitor or the Petitioners with respect to submitting a bid, nor has any person made inquiries about conducting due diligence in preparation for submitting any bid.

9. Accordingly, no auction has been conducted in accordance with the Canadian Bid Order and the Petitioners are now seeking approval of the Backstop Commitment Agreement.

<u>The U.S. Proceedings</u>

10. As described in the Forty-Fourth Report, the U.S. Debtors were seeking a similar order from the U.S. Bankruptcy Court by way of a motion initially scheduled for hearing on June 11, 2010 (the "**Backstop Commitment Motion**"). The U.S. Debtors intended that, if the requested motion was granted, a simultaneous bid deadline would be established and the auction would have taken place on June 21, 2010 as contemplated by the Canadian Bid Order.

11. Objections to the Backstop Commitment Motion in respect of the U.S. Proceedings were filed by Wilmington Trust Company (as successor indenture trustee for the 7.95% Notes Due 2011 issued by BCFC pursuant to an indenture agreement, dated as of October 31, 2001) (the "**WTC Objection**"), and Aurelius Capital Management, LP and Contrarian Capital Management, LLC (the "**Aurelius Objection**"). Among other things, the objections challenged the

release of an avoidance action to be granted in favour of Fairfax Financing Holdings Limited ("**Fairfax**") as contemplated in the Backstop Commitment Motion. The WTC Objection asserted that, among other things, the potential avoidance action was supported by substantial evidence, the U.S. Debtors' and the Unsecured Creditors Committee's (the "**UCC**") support of the Fairfax Release was not meaningful as it did not reflect the interests of the unsecured creditors of BI and the Backstop Commitment Motion exaggerated the need for, and the value of, the Backstop Commitment. The Aurelius Objection asserted that, among other things, the Rights Offering was unnecessary, the potential avoidance action had substantial value, the consideration for the Fairfax Release was inadequate, the Fairfax Release posed a particular burden on BI and the proposed Fairfax Release failed to meet certain legal standards.

12. The U.S. Debtors filed a reply to the WTC Objection and the Aurelius Objection, which asserted that pursuit of the Rights Offering and entry into the Backstop Commitment Agreement was reasonable and appropriate, the terms of the Backstop Commitment Agreement were fair, reasonable and appropriate under the circumstances, the U.S. Debtors' decision to grant the Fairfax Release was appropriate and the UCC and other Backstop Investors supported the Fairfax Release.

13. A U.S. Bankruptcy Court hearing regarding the Backstop Commitment Motion was commenced on June 11, 2010 but was adjourned to accommodate the objecting parties' requests for depositions and document discovery. The hearing continued on June 17, 2010 and June 18, 2010.

14. The Monitor was advised by its U.S. counsel that, at the June 18, 2010 hearing, Judge Carey indicated that while he was satisfied that the fees payable to the Backstop Investors under the Backstop Commitment Agreement were reasonable, he was not satisfied that the inclusion of the Fairfax Release was fair. The Monitor was advised that Judge Carey expressed the view that it would be more

appropriate for the Fairfax Release to be included in the Plan of Reorganization of the U.S. Debtors, in which case, it would be subject to the vote of all creditors.

15. The Monitor was advised that, in light of the views expressed by Judge Carey at the June 18, 2010 hearing, the U.S. Debtors requested that no order be made on the Backstop Commitment Motion and that the hearing be reconvened on June 21, 2010, at which time the U.S. Debtors would indicate their intentions with respect to the Backstop Commitment Motion.

16. On June 21, 2010, the Monitor was advised that the U.S. Debtors informed Judge Carey that, following the hearing on June 18, 2010, Fairfax confirmed that it was unwilling to support the rights offering and the U.S. Plan in circumstances where it might be sued during the process of assisting the U.S. Debtors towards U.S. Plan confirmation. Two additional Backstop Investors also informed the U.S Debtors that they would not participate if Fairfax pulled out of the Backstop Agreement. However, the U.S. Debtors indicated to Judge Carey that they had reached a potential solution with Fairfax, the UCC and the other Backstop Investors, which was not yet ready to present to the U.S. Court. Judge Carey adjourned the hearing until June 22, 2010.

17. The Monitor has been advised that the UCC, U.S. Debtors and Fairfax have agreed to the following amendments with respect to the Backstop Commitment Agreement and Bid Procedures:

(i) The bid deadline will be June 23, 2010 at 10:00 am (ET) (the "**U.S. Bid Deadline**"). Any party that does not submit a "Qualified Bid" by the U.S. Bid Deadline will not be permitted to participate in the auction.

(ii) The auction will commence on June 24, 2010 at 10:00 am (ET) at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York or such later time or other place that the Petitioners would timely notify the "Qualified Bidders" following consultations with certain parties.

(iii) If no timely, conforming "Qualified Bid" other than the Backstop Commitment Agreement is submitted by the Revised Bid Deadline, the auction will be deemed cancelled, the Backstop Investors will be deemed the Successful Bid and the U.S. Debtors will seek authority to enter into the Commitment Agreement at a hearing currently scheduled on June 25, 2010 at 10:00 am (ET).

(iv) Fairfax waives its right to receive any portion of the Termination Fee pursuant to section 2(d)(i) of the Backstop Commitment Agreement that may be payable as a result of the U.S. Debtors' selection of a higher and better offer, and waives its right to terminate the Backstop Commitment Agreement by reason of the U.S. Bankruptcy Court's refusal to approve the Fairfax Release (but retains its right to receive the Termination Fee if the Backstop Commitment Agreement is terminated for any other reason).

(v) The UCC, Fairfax and the U.S. Debtors have "stipulated" (the "**Stipulation**") that, until the earlier to occur of (i) termination of the Backstop Commitment Agreement by reason of Fairfax's breach of that agreement or the Plan Support Agreement; and (ii) 30 days after any order denying confirmation of the U.S. Plan of Reorganization (or such later date as agreed by the U.S. Debtors and the UCC), the U.S. Debtors and the UCC will not pursue the Fairfax avoidance action.

18. On June 22, 2010, the U.S. Bankruptcy Court issued an Order approving the U.S. Bid Deadline, scheduling the auction and approving the Stipulation. A copy of such Order is annexed as Appendix "E" hereto.

RECOMMENDATION

19. In light of the fact that no competing bid has been submitted in accordance with the Canadian Bid Order and because of the benefits to the Petitioners as described in the Forty-Fourth Report, including that the Backstop Commitment Agreement increases the Petitioner's likelihood of success in achieving the amount of exit financing that they need to emerge from insolvency proceedings, the Monitor recommends approval of the Backstop Commitment Agreement by this Honourable Court.

20. The Monitor notes that the U.S. Bid Deadline established by the U.S. Bankruptcy Court is 10:00 a.m. on the date the Petitioner's motion for approval of the Backstop Commitment Agreement is scheduled to be heard. If any bids have been filed, such fact should be known before this Court is asked to render its judgment. Submissions can be made by the parties in such event when the motion is heard.

All of which is respectfully submitted.

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

Per: 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"

ORDER OF THE U.S. BANKRUPTCY COURT DATED JUNE 22, 2010

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
ABITIBIBOWATER INC., *et al.*,[1]	)	Case No. 09-11296 (KJC)
	)	Jointly Administered
Debtors.	)	

ORDER (A) APPROVING BID PROCEDURES AND BID PROTECTIONS WITH RESPECT TO AN AUCTION IN CONNECTION WITH THE DEBTORS' RIGHTS OFFERING, (B) SCHEDULING AN AUCTION AND HEARING, (C) APPROVING THE FORM AND MANNER OF NOTICE THEREOF, AND (D) APPROVING A STIPULATION REGARDING CERTAIN CLAIMS

Upon the Motion[2] of AbitibiBowater Inc. ("AbitibiBowater") and its affiliated debtors and debtors-in-possession in the above-captioned cases (each a "Debtor" and collectively, the "Debtors"), requesting entry of an order (the "Order") pursuant to section 363 of title 11 of the United States Code (the "Bankruptcy Code") and rules 2002 and 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (A) approving the Bid

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1 The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: AbitibiBowater Inc. (6415), AbitibiBowater US Holding 1 Corp. (N/A), AbitibiBowater US Holding LLC (N/A), AbitibiBowater Canada Inc. (N/A), Abitibi-Consolidated Alabama Corporation (4396), Abitibi-Consolidated Corporation (9050), Abitibi-Consolidated Finance LP (4528), Abitibi Consolidated Sales Corporation (7144), Alabama River Newsprint Company (7247), Augusta Woodlands, LLC (9050), Bowater Alabama LLC (7106), Bowater America Inc. (8645), Bowater Canada Finance Corporation (N/A), Bowater Canadian Forest Products Inc. (N/A), Bowater Canadian Holdings Incorporated (N/A), Bowater Canadian Limited (N/A), Bowater Finance Company Inc. (1715), Bowater Finance II LLC (7886), Bowater Incorporated (1803), Bowater LaHave Corporation (N/A), Bowater Maritimes Inc. (N/A), Bowater Newsprint South LLC (1947), Bowater Newsprint South Operations LLC (0168), Bowater Nuway Inc. (8073), Bowater Nuway Mid-States Inc. (8290), Bowater South American Holdings Incorporated (N/A), Bowater Ventures Inc. (8343), Catawba Property Holdings, LLC (N/A), Coosa Pines Golf Club Holdings LLC (8702), Donohue Corp. (9051), Lake Superior Forest Products Inc. (9305) and Tenex Data Inc. (5913). On December 21, 2009, ABH LLC 1 (2280) and ABH Holding Company LLC (2398) (the "SPV Debtors") commenced chapter 11 cases, which cases are jointly administered with the above-captioned Debtors. The Debtors' and SPV Debtors' corporate headquarters are located at, and the mailing address for each Debtor is, 1155 Metcalfe Street, Suite 800, Montreal, Quebec H3B 5H2, Canada. On February 18, 2010, the Court entered an order dismissing the case of ABH LLC 2.

2 Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

Procedures in the form attached hereto as Exhibit A; (B) authorizing the payment of the Termination Payment, if due in accordance with the terms of the Commitment Agreement; (C) scheduling the Auction (as defined in the Bid Procedures) and the Successful Bid Hearing (as defined below); (D) approving the manner and notice thereof and (E) approving the Release; and it appearing that the relief requested in the Motion, as modified by this Order, is in the best interests of the Debtors' estates, their creditors and other parties in interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the Motion is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and adequate notice of the Motion and opportunity for objection having been given; and this Court having reviewed and considered the Motion and (i) the objections filed by Aurelius Capital Management, LP and Contrarian Capital Management, LLC [Dkt. No. 2297] and Wilmington Trust Company, as successor indenture trustee for the 7.95% Notes issued by Bowater Canada Finance Corporation [Dkt. No. 2298], and (ii) the joinder to such objections filed by certain equity shareholders [Dkt. No. 2313]; and this Court having considered evidence and testimony and having heard statements of counsel at hearings on the Motion on June 11, 2010 and June 17, 2010 (the "Hearings"); and it appearing that no other notice need be given; and it further appearing that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause therefor:

IT IS HEREBY FOUND AND DETERMINED THAT:

A. This Court has core jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b) and 1334 and this matter is a core proceeding that the Court can determine pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The Debtors have articulated good and sufficient cause for (i) the approval of the Bid Procedures (the "Bid Procedures"), (ii) the granting of certain benefits and bid protections to the Backstop Investors in their role as stalking horse bidder, as provided herein, in the Commitment Agreement and in the Bid Procedures, (iii) the approval of the form and manner of notice of the Auction with respect to the Backstop Commitment and the Notes (the "Auction Notice") attached hereto as Exhibit B, (iv) the scheduling of an Auction, (v) the approval of the Stipulation (as defined below), and (vi) the scheduling of a hearing to consider granting other relief requested in the Motion, including approval of the Commitment Agreement with the Backstop Investors or such other successful bidder at the Auction.

C. Under the circumstances, good and sufficient notice of the relief sought in the Motion has been given and no further notice is required.

D. The Bid Procedures are fair, reasonable and appropriately designed to maximize recovery for the benefit of the Debtors' estates, their creditors and other parties in interest. The Bid Procedures balance the Debtors' interest in ensuring that the Backstop Investors remain committed to backstopping the proposed Rights Offering pursuant to the terms and conditions of the Commitment Agreement, while preserving the opportunity to attract higher and better proposals for the terms of the Backstop Commitment and the Notes to be issued under the proposed Plan.

E. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Termination Payment and Transaction Expenses to the Backstop Investors, if due under the terms and conditions set forth in the Commitment Agreement and the terms of this Order.

F. The Termination Payment and Transaction Expenses, if due under the terms of the Commitment Agreement and this Order (i) would be an actual and necessary cost of preserving the Debtors' estates within the meaning of section 503(b) of the Bankruptcy Code, and is (ii) of substantial benefit to the Debtors' estates, their creditors and other parties in interest, (iii) reasonable and appropriate, in light of, among other things, (A) the size and nature of the proposed Rights Offering, (B) the substantial efforts that have been and will be expended by the Backstop Investors and (C) the benefits the Backstop Investors have provided to the Debtors' estates, their creditors and other parties in interest, notwithstanding that the Commitment Agreement may be terminated by the Debtors if any higher or otherwise better proposal is identified through the Auction process and (iv) necessary to obtain the Backstop Investors' commitment to backstop the Rights Offering.

G. The Termination Payment and Transaction Expenses induced the Backstop Investors to enter into the Commitment Agreement and the Backstop Investors are unwilling to commit to hold open their proposal to backstop the Rights Offering under the terms and conditions of the Commitment Agreement through the Auction process absent approval of the Termination Payment and Transaction Expenses.

H. The Termination Payment and Transaction Expenses provisions of the Commitment Agreement were negotiated by the parties in good faith and at arm's length.

I. The Termination Payment shall constitute an allowed administrative expense of AbitibiBowater Inc. under section 364(c)(1) of the Bankruptcy Code that is junior to all superpriority and administrative claims arising under the Final Order (1) Approving Postpetition Financing; (2) Authorizing Use of Cash Collateral; (3) Granting Liens and Providing Superpriority Expense Status; (4) Granting Adequate Protection; and (5) Modifying the

Automatic Stay (dated June 4, 2009 and conformed on June 16, 2009, the postpetition financing approved thereby, the "Bowater DIP Agreement").

J. The Stipulation (as defined below) among the Debtors, the official committee of unsecured creditors appointed in these cases (the "Creditors Committee") and Fairfax Financial Holdings Limited (and its successors, permitted assigns, representatives and affiliates, collectively "Fairfax") is fair, reasonable and equitable under the circumstances.

Based on the foregoing, and upon the record made before this Court at the Hearings, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED AND ADJUDGED THAT:

Approval of Bid Procedures

1. The Bid Procedures are approved and incorporated herein by reference. The Debtors are authorized to take any and all actions necessary or appropriate to implement the Bid Procedures and may, in consultation with advisors to the Creditors Committee and in accordance with the terms thereof, modify such Bid Procedures as necessary and appropriate to maximize the value of the Debtors' estates.

2. The Bid Deadline is **June 23, 2010 at 10:00 a.m. (ET).** Any party that does not submit a Qualified Bid (as defined in the Bid Procedures) by the Bid Deadline will not be permitted to participate in the Auction.

3. The Debtors are authorized to conduct the Auction as set forth in the Bid Procedures. The Auction shall commence on **June 24, 2010 at 10:00 a.m. (ET),** at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP, or such later time or other place as the Debtors shall timely notify the Qualified Bidders following consultation with the advisors to the

Creditors Committee; <u>provided, however,</u> that the Debtors reserve the right to cancel the Auction at any time by giving notice to the Qualified Bidders.

4. If no timely, conforming Qualified Bid other than the Commitment Agreement is submitted by the Bid Deadline, the Auction will be deemed cancelled, the Backstop Investors will be deemed the Successful Bid (as defined in the Bid Procedures), and the Debtors will immediately seek authority to enter into the Commitment Agreement.

<u>Notice</u>

5. The form and manner of notice regarding the Auction and marketing process are hereby approved. The form of the Auction Notice attached hereto as Exhibit B is hereby approved. The proposed notice is appropriate and reasonably tailored to target potential investors.

<u>Successful Bid Hearing</u>

6. The Court will hold a hearing to consider approval of the Successful Bid (the "<u>Successful Bid Hearing</u>") on **June 25, 2010 at 10:00 a.m. (ET)**, in the United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, 3rd Floor, Wilmington, Delaware 19801, or as soon thereafter as counsel may be heard. The Successful Bid Hearing may be continued to a later date, including the date of the hearing on approval of the Debtors' Disclosure Statement with respect to their Plan, by the Debtors sending notice prior to, or making an announcement at, the Successful Bid Hearing. No further notice of any such continuance will be required to be provided to any party.

<u>Termination Payment and Transaction Expenses</u>

7. The Termination Payment and Transaction Expenses set forth in the Commitment Agreement are hereby approved, and any and all objections to the Termination Payment and

Transaction Expenses that were not consensually resolved at or before the Hearings are hereby overruled. The Debtors are authorized and directed to pay the Termination Payment and Transaction Expenses to the Backstop Investors, if due in accordance with the terms of the Commitment Agreement without further order of the Court; provided, however, that Fairfax waives (x) any right to receive any portion of the Termination Payment pursuant to section 2(d)(i) of the Commitment Agreement that may be payable as a result of the Debtors' selection of a higher, better or alternative transaction at the Auction, without prejudice to Fairfax's right to receive its ratable share of any Termination Payment pursuant to section 2(d)(ii) or section 2(d)(iii) of the Commitment Agreement and (y) its right to assert the occurrence of a Termination Event (as defined in the Commitment Agreement) pursuant to Section 12(a)(ii) of the Commitment Agreement by reason of any ruling of the Court made at the Hearings or contained in this Order.

Stipulation

8. The Debtors, the Creditors Committee and Fairfax stipulate and agree to the terms set forth in this paragraph 8 (the "Stipulation").

a. Until the earlier to occur of (i) the Debtors' termination of the Commitment Agreement by reason of Fairfax's breach of its material obligations under the Commitment Agreement or the Plan Support Agreement (as defined in the Commitment Agreement) and (ii) thirty (30) days after this Court enters an order denying confirmation of the Plan of Reorganization or such later date as the Debtors and the Creditors Committee may agree (clauses (i) and (ii), the "Stipulation Termination Events"), the Debtors and the Creditors Committee shall not assert or seek to assert, or otherwise initiate or pursue, and shall use reasonable best efforts to oppose efforts by any other party to seek standing to assert, any action, challenge or objection to the validity, enforceability, priority or effect of any claim against Bowater Incorporated asserted by Fairfax or Law Debenture Trust Company of New York, as indenture trustee, arising out of or relating to the guaranty of 8.0% Convertible Notes due April 15, 2013 issued by AbitibiBowater Inc. and guaranteed by Bowater Inc. (the "Guaranty"), whether such action, challenge or objection arises under the avoidance provisions of the Bankruptcy Code (including section 548 thereof), applicable state law or otherwise (collectively, the "Causes of Action"); provided, that the Creditors Committee shall not be required to oppose any such action, challenge or objection based on the underlying merits of the Causes of Action.

b. Upon the occurrence of the Stipulation Termination Event and without further order of this Court, the Committee shall be deemed to have standing to pursue the Causes of Action for the benefit of the Debtors' estates; it being understood that the Creditors Committee shall have the right but not the obligation to pursue the Causes of Action in the exercise of its fiduciary duties.

c. As referenced in this paragraph 8, the term "Plan of Reorganization" means the Plan of Reorganization in the form attached as Exhibit A to the Commitment Agreement and supporting documents, as amended to the extent necessary to reflect allowance of the Guaranty, with the foregoing amendments being in form and substance reasonably satisfactory to the Debtors, Fairfax and the Creditors

Committee and any other amendments to the Plan of Reorganization being made in accordance with the terms of the Plan of Reorganization and, as applicable, the Commitment Agreement.

d. No amendments to the Plan of Reorganization shall be inconsistent with the terms of this Order.

e. Except in the event of the occurrence of one or more of the Stipulation Termination Events, this Stipulation shall be irrevocable; provided, however, that nothing herein shall prejudice the right of the Creditors Committee to seek appropriate relief from the Bankruptcy Court upon the occurrence of a breach of Fairfax's material obligations under the Commitment Agreement if the Debtors fail to exercise termination rights in respect of such breach, or Fairfax's ability to contest such request for relief.

f. The Creditors Committee shall support the Plan of Reorganization and prepare a letter to be included as part of the Debtors' solicitation materials affirmatively stating the Creditors Committee's support for the Plan of Reorganization and recommending that unsecured creditors vote in favor of the Plan.

Waiver of Stay

9. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Order shall be effective immediately and enforceable upon its entry and the stay provided for in Bankruptcy Rules 6004(h) is hereby waived; (b) the Debtors are not subject to any stay in the implementation, enforcement or realization of the relief granted in this Order; and (c) the Debtors are authorized and

empowered to, and may in their discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Order.

10. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Motion or the implementation of this Order.

Dated: Wilmington, Delaware
June 22, 2010

Hon. Kevin J. Carey
Chief United States Bankruptcy Judge

EXHIBIT A TO THE BID PROCEDURES ORDER:
<u>BID PROCEDURES</u>

BIDDING PROCEDURES

Pursuant to the First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated May 24, 2010 (as may be amended from time to time, the "U.S. Plan") filed by the Debtors (as defined in the U.S. Bidding Procedure Order) and the Plan of Reorganization and Compromise under the *Companies' Creditors Arrangement Act* (the "CCAA") and Section 191 of *Canada Business Corporations Act* dated May 24, 2010 (as may be amended from time to time, the "CCAA Plan" and together with the U.S. Plan, the "Plans") filed by the Canadian Debtors, the Debtors and the Canadian Debtors (collectively the "ABH Debtors") intend to permit certain creditors the right to subscribe for securities (the "Securities") in the reorganized ABH Debtors through a rights offering (the "Rights Offering"). In connection therewith, and as described below, the ABH Debtors have negotiated a backstop commitment with respect to the Rights Offering. These Bidding Procedures (the "Bidding Procedures") set forth the process by which the ABH Debtors will solicit competing proposals for, and conduct an auction (the "Auction") regarding, the terms of a backstop commitment for the Rights Offering, including the terms of the Securities to be issued under the Plans.

These Bidding Procedures have been approved by an order dated June ___, 2010 (the "Bidding Procedures Order"), entered by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

Stalking Horse Agreement.

On May 24, 2010, the ABH and certain of their unsecured creditors (collectively, the "Stalking Horse") entered into an agreement that sets forth the terms of the Stalking Horse's commitment to backstop the Rights Offering (the "Backstop Commitment Agreement"). Exhibit C thereto sets forth the terms of the Securities to be issued under the Plans (the "Securities Term Sheet"). The Backstop Commitment Agreement executed by the Stalking Horse, together with the Securities Term Sheet, are collectively referred to herein as the "Stalking Horse Agreement."

Obtaining Due Diligence Access.

Upon execution of a confidentiality agreement (each, a "Confidentiality Agreement") in form and substance satisfactory to the ABH Debtors, the ABH Debtors shall provide interested investors (each, a "Potential Investor") with reasonable due diligence information that has been or will be provided to the Stalking Horse and other Potential Investors, as requested, as soon as reasonably practicable after such request. The due diligence period will end on the Bid Deadline (as defined herein).

The ABH Debtors shall coordinate all reasonable requests for information and due diligence access from Potential Investors. No conditions relating to the completion of due diligence shall be permitted to exist after the Bid Deadline.

Bid Requirements.

To participate in the Auction, a Potential Investor (other than the Stalking Horse) must submit a Qualified Bid (as defined below) by **June 23, 2010 at 10:00 a.m. ET** (the "Bid Deadline") to each of (a) counsel to the Debtors, Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, Attn: Kelley Cornish, Esq. and Alice Belisle Eaton, Esq.; (b) the financial advisor to the Debtors, The Blackstone Group, 345 Park Avenue, New York, New York 10154, Attn: Steve Zelin and Michael O'Hara; (c) counsel to the official committee of unsecured creditors (the "Creditors Committee"), Paul Hastings LLP, Park Avenue Tower, 75 East 55th Street, New York, New York 10022, Attn: Luc Despins, Esq.; (d) the financial advisors to the Creditors Committee, (i) Lazard Freres & Co. LLC, 30 Rockefeller Plaza, New York, New York 10020, Attn: Blake O'Dowd, and (ii) FTI Consulting Inc., Three Times Square, 11th Floor, New York, New York 10036, Attn: Samuel Star; (e) counsel to the Canadian Debtors, Stikeman Elliott LLP, 1155 René-Lévesque Blvd. West, 40th Floor, Montreal, Quebec H2B 3V2, Canada, Attn: Marc Barbeau and Sean Dunphy; (f) the financial advisor to the Canadian Debtors, BMO Capital Markets, 100 King Street West, One First Canadian Place, Toronto, Ontario M5X 1H3, Canada, Attn: Glenn Sauntry and Mark Caiger; (g) Ernst & Young Inc., 222 Bay Street, Toronto, Ontario M5K 1J7, Attn: Alex F. Morrison (the "Monitor"); (h) counsel to the Monitor, ThorntonGroutFinnigan LLP, 100 Wellington St. W., Toronto, Ontario M5K 1K7 Attn: Robert I. Thornton; (i) counsel to the Stalking Horse, Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attn: Douglas Bartner, Esq. and Edmund M. Emrich, Esq. and Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attn: John Bessonette, Esq., and Douglas Mannal, Esq.; (j) counsel to the Stalking Horse, Torys LLP, 79 Wellington St. W., Suite 3000, Box 270, Toronto, Ontario M5K 1N2, Attn: Micheal Rotsztain; and (k) counsel to the Ad Hoc Unsecured Noteholders Committee, Goodmans LLP, 333 Bay St., Suite 3400, Toronto, Ontario M5H 2S7 (collectively, the "Notice Parties").

To constitute a Qualified Bid, a bid must:

(a) be in writing;

(b) be accompanied by a clean and a duly executed Backstop Commitment Agreement, along with all exhibits thereto, including the Securities Term Sheet;

(c) include a mark-up of the Stalking Horse Agreement that reflects all amendments and modifications thereto with respect to both the terms of the Backstop Commitment and the Securities Term Sheet and the Plan Support Agreement;

(d) specifically identify modifications or alterations to the terms of the Plans, if any, contemplated or necessitated by the terms or structure of the bid;

(e) not be conditioned on any contingency, including, among others, on obtaining any of the following: (i) financing, (ii) shareholder, board of directors or other approval, and/or (iii) the outcome or completion of a due diligence review by the Potential Investor; and

(f) must remain irrevocable until 72 hours after the Auction.

In addition to the above, each Potential Investor must:

(g) provide the Notice Parties with sufficient and adequate information to demonstrate, to the ABH Debtors' satisfaction, in consultation with advisors to the Creditors Committee and the Monitor, that such Potential Investor has the financial wherewithal and ability to provide the Backstop Commitment;

(h) provide the Notice Parties with sufficient and adequate information to demonstrate, to the ABH Debtors' satisfaction, in consultation with advisors to the Creditors Committee and the Monitor, that such Potential Investor is duly authorized by any applicable boards or other type of internal governance to submit, execute and provide the Backstop Commitment; and

(i) not be entitled to any break-up fee, transaction fee, Termination Payment, expense reimbursement or any similar type of payment or reimbursement.

The ABH Debtors, in consultation with advisors to the Creditors Committee and the Monitor, shall determine in their sole discretion whether any submitted bid constitutes a "Qualified Bid." Those parties submitting Qualified Bids shall be deemed to be "Qualified Bidders." For the avoidance of doubt, the Stalking Horse is a Qualified Bidder and the Stalking Horse Agreement constitutes a Qualified Bid.

Evaluation of Qualified Bids.

Prior to the Auction, the ABH Debtors shall identify the Qualified Bid that is, in the ABH Debtors' judgment and after consultation with the advisors to the Creditors Committee and the Monitor, the most economic or otherwise best bid (the "Starting Bid"). The Debtors shall notify the Qualified Bidders and the Notice Parties of such determination, and shall distribute copies of the Starting Bid to each Qualified Bidder prior to the commencement of the Auction.

Auction.

If one or more Qualified Bids are received by the Bid Deadline, then the ABH Debtors shall conduct the Auction with respect to the Backstop Commitment and the Securities. The Auction shall commence on **June 24, 2010 at 10:00 a.m. (ET)** at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP, or such later time or other place as the ABH Debtors shall timely notify the Qualified Bidders following consultation with the advisors to the Creditors Committee and the Monitor; provided, however, that the ABH Debtors reserve the right to cancel the Auction at any time by giving notice to the Qualified Bidders.

The Auction will be conducted in accordance with the following procedures, subject to modification by the ABH Debtors in consultation with advisors to the Creditors Committee and the Monitor at the Auction (the "Auction Procedures"):

(a) the Qualified Bidders shall appear in person at the Auction, or through duly-authorized representatives;

(b) only such authorized representatives of each of the Qualified Bidders, as the case may be, the ABH Debtors, their respective advisors, and the advisors to the Creditors Committee and the Monitor shall be permitted to attend the Auction;

(c) bidding at the Auction shall begin at the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by a Qualified Bidder that (i) improves upon such Qualified Bidder's immediately prior Qualified Bid and (ii) the ABH Debtors determine, in consultation with the advisors to the Creditors Committee and the Monitor, is a higher or otherwise better offer than any other bids submitted in the prior round;

(d) only the Qualified Bidders shall be entitled to submit additional bids at the Auction;

(e) the Stalking Horse shall receive a credit equal to the amount of the Termination Payment (as defined in the Stalking Horse Agreement) when bidding at the Auction;

(f) each bidder will be informed of the terms of the previous bids;

(g) the Auction may, in the ABH Debtors' discretion, in consultation with advisors to the Creditors Committee and the Monitor, include individual negotiations with bidders and/or open bidding in the presence of all of the other Qualified Bidders;

(h) each bidder will be required to confirm on the record of the Auction that it has not engaged in any collusion with respect to the bidding or the Sale; and

(i) the Bankruptcy Court will not consider bids made after the Auction is closed.

Acceptance of the Successful Bid.

The Auction shall continue until the ABH Debtors, in the exercise of their reasonable, good-faith business judgment and after consulting with their advisors and the advisors to the Creditors Committee and the Monitor, determine that they have received the most economic or otherwise best bid or offer (the "Successful Bid"). In making such determination, the ABH Debtors may consider, among other factors: the pricing terms of the Backstop Commitment; the impact, if any, on the proposed Plans or timing for emergence; and the terms and type of Securities to be issued. The Qualified Bidder having submitted a Successful Bid will be deemed the "Successful Bidder." Upon the conclusion of the Auction, the Successful Bidder and the ABH Debtors shall, as soon as commercially reasonable and practicable, complete and sign all agreements, contracts, instruments or other documents evidencing and containing the terms upon which such Successful Bid was made.

Hearing.

A hearing to consider approval of the Successful Bid (the "Hearing") is presently scheduled to take place on **June 25, 2010 at 10:00 a.m. (ET)**, or as soon thereafter as counsel may be heard, before the Honorable Kevin J. Carey, United States Bankruptcy Judge, in the Bankruptcy Court, 824 N. Market Street, 3rd Floor, Wilmington, Delaware 19801.

The Hearing may be continued to a later date, including the date of the hearing on approval of the Debtors' Disclosure Statement with respect to their Plan by the Debtors sending notice prior to, or making an announcement at, the Hearing. No further notice of any such continuance will be required to be provided to any party.

Reservation of Rights.

The ABH Debtors reserve their rights, following consultation with the advisors to the Creditors Committee and the Monitor, to modify the Bidding Procedures in any manner that will best promote the goals of the bidding process or impose, at or prior to the Auction, additional customary terms and conditions on the Backstop Commitment and/or the Securities, including, without limitation, modifying the requirements for a Qualified Bid, extending the deadlines set forth in the Bidding Procedures, canceling the Auction, and rejecting any or all Qualified Bids if, in the ABH Debtors' business judgment, in consultation with advisors to the Creditors Committee and the Monitor, such Qualified Bid (a) is inadequate or insufficient, (b) not in conformity with the requirements of the Bankruptcy Code or any related rules or the terms set forth herein, or (c) contrary to the best interests of the ABH Debtors and their estates.

EXHIBIT B TO THE BID PROCEDURES ORDER:
<u>PROPOSED AUCTION NOTICE</u>

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
ABITIBIBOWATER INC., *et al.*,[1]	)	Case No. 09-11296 (KJC)
Debtors.	)	Jointly Administered

NOTICE OF (A) ENTRY INTO BACKSTOP COMMITMENT AGREEMENT, (B) APPROVAL OF BID PROCEDURES, (C) AUCTION AND (D) HEARING

PLEASE TAKE NOTICE THAT on May 24, 2010 the above-captioned debtors (the "U.S. Debtors"), filed the First Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code (the "U.S. Plan") and the debtors listed in Schedule "A" hereto (the "Canadian Debtors" and together with the U.S. Debtors, the "Debtors"), filed the Plan of Reorganization and Compromise under the *Companies' Creditors Arrangement Act* (the "CCAA") and Section 191 of *Canada Business Corporations Act* (the "CCAA Plan" and together with the U.S. Plan, the "Plans"), pursuant to which the Debtors intend to raise capital to fund their obligations under the Plans through, among other sources, a rights offering to unsecured creditors (the "Rights Offering").

PLEASE TAKE FURTHER NOTICE THAT, in connection with the proposed Rights Offering, on May 24, 2010, the Debtors entered into a commitment agreement (the "Agreement") with a group of investors (the "Backstop Investors") who have agreed to backstop the Rights Offering (that obligation, the "Backstop Commitment"). The Agreement also sets

1 The debtors-in-possession in these cases, along with the last four digits of each Debtor's federal or Canadian tax identification number, are: AbitibiBowater Inc. (6415), AbitibiBowater US Holding 1 Corp. (6050), AbitibiBowater US Holding LLC (N/A), AbitibiBowater Canada Inc. (3225), Abitibi-Consolidated Alabama Corporation (4396), Abitibi-Consolidated Corporation (9050), Abitibi-Consolidated Finance LP (4528), Abitibi Consolidated Sales Corporation (7144), Alabama River Newsprint Company (7247), Augusta Woodlands, LLC (0999), Bowater Alabama LLC (7106), Bowater America Inc. (8645), Bowater Canada Finance Corporation (8810), Bowater Canadian Forest Products Inc. (2010), Bowater Canadian Holdings Incorporated (6828), Bowater Canadian Limited (7373), Bowater Finance Company Inc. (1715), Bowater Finance II LLC (7886), Bowater Incorporated (1803), Bowater LaHave Corporation (5722), Bowater Maritimes Inc. (5684), Bowater Newsprint South LLC (1947), Bowater Newsprint South Operations LLC (0186), Bowater Nuway Inc. (8073), Bowater Nuway Mid-States Inc. (8290), Bowater South American Holdings Incorporated (N/A), Bowater Ventures Inc. (8343), Catawba Property Holdings, LLC (N/A), Coosa Pines Golf Club Holdings LLC (8702), Donohue Corp. (9051), Lake Superior Forest Products Inc. (9305) and Tenex Data Inc. (5913). On December 21, 2009, ABH LLC 1 (2280) and ABH Holding Company LLC (2398) commenced chapter 11 cases, which cases are jointly administered with the above-captioned Debtors. The corporate headquarters of the debtors-in-possession is located at, and the mailing address for each debtor-in-possession is, 1155 Metcalfe Street, Suite 800, Montreal, Quebec H3B 5H2, Canada.

forth the key terms of the unsecured convertible notes (the "Notes") that the Debtors intend to issue in connection with the Rights Offering.

PLEASE TAKE FURTHER NOTICE THAT, on June 22, 2010, the U.S. Bankruptcy Court for the District of Delaware (the "U.S. Bankruptcy Court") entered an order (the "U.S. Bid Procedures Order") authorizing the U.S. Debtors to conduct a public auction with respect to the terms of the Backstop Commitment and the Notes and approving certain procedures (the "Bid Procedures") and protections for the Backstop Investors in connection with that process. Copies of the U.S. Bid Procedures Order are enclosed herein.

Contact Person For Parties Interested in Submitting a Bid

The Bid Procedures set forth in detail the requirements for submitting a "Qualified Bid" (defined in the Bid Procedures). **Only Qualified Bids will be considered by the Debtors.** Any person interested in making an offer to backstop the Rights Offering should contact: Steve Zelin and Michael O'Hara at The Blackstone Group at (212) 583-5000.

Obtaining Additional Information

Additional copies of the U.S. Bid Procedures Order, the Bidding Procedures and any other related documents are available upon request to EPIQ Bankruptcy Services, LLC, the U.S. Debtors' notice and claims agent, at (888) 266-9280, or by visiting the case website at http://dm.epiq11.com/ABH. Additional copies of any other related documents are available upon request to Ernst & Young Inc., the Canadian Debtors' Monitor, at 1-866-246-7889, or by visiting the case website at www.ey.com/ca/abitibibowater.

Important Dates and Deadlines

- The deadline to submit a Qualified Bid is **10:00 a.m. (ET) on June 23, 2010.**
- The Auction regarding the Backstop Commitment and the Notes, if one is necessary, will commence promptly at **10:00 a.m. (ET) on June 24, 2010**, at the offices of Paul, Weiss, Rifkind, Wharton &Garrison, LLP, located at 1285 Avenue of the Americas, New York, New York 10019.
- A hearing to consider the winning bid will be held before the Honorable Kevin J. Carey of the U.S. Bankruptcy Court on **June 25, 2010 at 10:00 a.m. (ET)**, in Courtroom 5, 824 North Market Street, Third Floor, Wilmington, Delaware 19801.