

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 2000, in the City and District of Montréal, Province of Quebec, H3B 1X9;

Monitor

SUPPLEMENTAL THIRD REPORT OF THE MONITOR

April 30, 2009

INTRODUCTION AND PURPOSE OF THIS REPORT

1. This is a supplemental report to the Third Report of the Monitor dated April 27, 2009 (the “**Third Report**”) in the CCAA Proceedings (the “**Supplemental Third Report**”). The purpose of this Supplemental Third Report is to report to this Honourable Court with respect to the Waiver Agreement dated April 27, 2009 (the “**Waiver**”) provided by Citibank, N.A., London Branch, as operating agent (the “**Agent**”) for the Investors and the Banks under and pursuant to the Amended and Restated Receivables Purchase Agreement dated as of January 31, 2008 (as may be amended, modified and restated) (the “**RPA**”). A copy of the Waiver is attached hereto as Appendix “D”.
2. The background with respect to the CCAA Proceedings is set forth in the Third Report.
3. Capitalized terms not defined in this Supplemental Third Report are as defined in the First Report of Ernst & Young Inc. dated April 16, 2009 (the “**First Report**”), the Second Report of the Monitor dated April 21, 2009, the Third Report and the Initial Order. All references to dollars are in U.S. currency unless otherwise noted.

TERMS OF REFERENCE

4. In preparing this 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 Report. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants (“**CICA**”) Handbook, has not been performed. Future-oriented financial information referred to in this 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.

5. Copies of the Monitor's Reports, including a copy of this Supplemental Third Report, all motion records and orders made in this CCAA Proceeding and further reports of the Monitor will be available on the Monitor's website at www.ey.com/ca/abitibibowater. The Monitor has also established a 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 Proceeding.
6. 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.

THE SECURITIZATION PROGRAM AND THE ACI DIP FACILITY

7. As described in greater detail in the First Report, the ACI Group participates in a securitization program (the "**Securitization Program**") to help fund the working capital requirements of the ACI Group and the DCorp Group.
8. As set forth in the Third Report, ACI and Donohue have entered into the ACI DIP Agreement with Bank of Montreal as the DIP Lender and Investissement Quebec as the Sponsor. The financing to be provided pursuant to the ACI DIP Agreement is also to be guaranteed by certain of ACI's wholly-owned subsidiaries.
9. As of the time of this Supplemental Third Report, the Monitor understands that the draw schedule (Schedule "B" to the ACI DIP Agreement) is still being discussed.
10. The ACI DIP Agreement specifically provides that the proceeds of the ACI DIP Facility are not permitted to be used to, among other things, repay, either directly or indirectly, any existing obligations pursuant to the Securitization Program or any replacement thereof.
11. As illustrated in the Third Report, there is a substantial amount of volatility in the Securitization Program funding which emphasizes the need for the ACI Group to have cash reserves to offset the impact of any reduction in funding from the Securitization Program in order to be able to meet its payroll and operating disbursement requirements.

THE WAIVER

12. ACUSFC, ACI and ACSC are parties to the RPA and various amendments thereto including, without limitation, the Waiver and Amendment No. 4 to the RPA dated as of April 1, 2009 (“**Amendment No. 4**”) and the Omnibus Amendment No. 5 dated April 16, 2009 as further described in the First Report (“**Amendment No. 5**”).
13. Section 5(a)(y) of Amendment No. 4 provides that, in order for the Agent to release collections of accounts receivable which are held in the lockboxes and are under the control of the Agent pursuant to the RPA, ACSC must deliver to the Agent a written request for the release of the funds in lockboxes for the purpose of financing daily operating expenses which are then due and payable (the “**Daily Expense Report**”). In addition, Section 6.02(g)(v) of the RPA provides that the Servicer must deliver to the Agent weekly descriptions of daily operating expenses (the “**Weekly Expense Report**”).
14. The requirements to submit the Daily Expense Report and the Weekly Expense Report resulted in funds being held in lockboxes, thereby resulting in substantial cash remaining in the lockboxes rather than being transferred to the ACI Group.
15. ACUSFC, as Seller under the RPA, has requested that the Agent waive the requirement set forth in Sections 5(a)(y) and 6.02(g)(v) of the RPA in order that funds can be released more quickly from the lockboxes, with greater certainty and with fewer requirements for the delivery of documentation. Accordingly, the parties have entered into the Waiver pursuant to which the Agent has agreed to waive such requirements.
16. Pursuant to the Waiver, ACSC will no longer be required to deliver the Daily Expense Report and the Weekly Expense Report to the Agent in order for the Agent to release the funds; provided that the Agent shall not be required to release funds and shall not be required to purchase additional receivables if either:
 - (i) the ratio of amounts borrowed under the RPA compared to the gross, unadjusted, pool of accounts receivable is greater than 40%. This threshold is reduced from 45% under Amendment No. 4; and

- (ii) the ratio of amounts borrowed under the RPA compared to the gross, unadjusted, pool of accounts receivable excluding certain ineligible receivables is greater than 78%. This threshold is reduced from 80% under Amendment No. 4.
17. The result of the Waiver is that the funds from the Securitization Program will flow automatically without the requirement for reporting with respect to the ACI Group's disbursements, thereby freeing up cash reserves for use in operations.
18. The Monitor has reviewed the most recent reporting provided to the Agent and the calculations therein. The proposed revised calculations set forth in the Waiver will not have a material impact on the ACI Group's liquidity.
19. The Monitor is of the view that the Waiver will result in cash being released more quickly in the Securitization Program, with greater certainty and with fewer requirements for the delivery of documentation.
20. The Waiver requires, among other things, that the Monitor has approved the Waiver and reported thereon to this Honourable Court in order to be effective. In filing this Supplemental Third Report, the Monitor has satisfied this requirement.

All of which is respectfully submitted.

ERNST & YOUNG INC.

**in its capacity as the Court-Appointed Monitor
of the Petitioners**

A handwritten signature in blue ink, appearing to read "Alex Morrison", is written over a faint, larger blue ink signature that is partially obscured.

Per: Alex Morrison, CA, CIRP
Senior Vice President

APPENDIX "A"
ABITIBI PETITIONERS

1. Abitibi-Consolidated Inc.
2. Abitibi-Consolidated Company of Canada
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.

APPENDIX "B"
BOWATER PETITIONERS

1. Bowater Canadian Holdings. Inc.
2. Bowater Canada Finance Corporation
3. Bowater Canadian Limited
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. Canixel 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 Inc.
2. AbitibiBowater US Holding 1 Corp.
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”
WAIVER AGREEMENT

WAIVER AGREEMENT

This WAIVER AGREEMENT (this "Waiver"), dated as of April 28, 2009, is provided by CITIBANK, N.A., LONDON BRANCH, as operating agent (the "Agent") for the Investors and the Banks under and pursuant to that certain Amended and Restated Receivables Purchase Agreement, dated as of January 31, 2008 (as amended, restated, supplemented and/or otherwise modified from time to time, the "RPA").

Preliminary Statements. (1) Abitibi-Consolidated U.S. Funding Corp. (the "Seller"), Citibank, N.A., as a Bank, the Agent, Abitibi-Consolidated Inc. ("ACI"), in its capacity as Subservicer and an Originator, and Abitibi Consolidated Sales Corporation ("ACSC"), in its capacity as Servicer and an Originator, are parties to the RPA. Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the RPA.

(2) The Seller, the Agent, ACI and ACSC are parties to various amendments to the RPA, including without limitation, that certain Waiver and Amendment No. 4 to Amended and Restated Receivables Purchase Agreement dated as of April 1, 2009 (as amended, "Amendment No. 4"), and that certain Omnibus Amendment No. 5 to Amended and Restated Receivables Purchase Agreement and Amendment No. 3 to Amended and Restated Purchase and Contribution Agreement and Waiver Agreement dated as of April 16, 2009 ("Amendment No. 5"), amending the RPA, the Originator Purchase Agreement and Amendment No. 4.

(3) The Seller has requested that the Agent (as agent for the Investors and the Banks) waive the requirement set forth in clause (y) of Section 5(a) of Amendment No. 4 that, in order for the Agent to release Collections transferred to, or under the control of, the Agent pursuant to notices previously delivered to the Deposit Banks as contemplated by Section 6.03(a) of the RPA, the Servicer must deliver to the Agent a written request for the release of Collections for the purpose of financing daily operating expenses which are then due and payable (any such written request, a "Daily Expense Report").

(4) The Seller has requested such waiver in order that Collections can be released pursuant to the terms of the RPA more quickly and with more certainty and with fewer requirements for the delivery of documentation.

(5) The Agent has agreed to provide such waiver on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Agent, as agent for the Investors and the Banks, hereby agrees as follows:

SECTION 1. Waiver. Upon the effectiveness of this Waiver in accordance with Section 2 hereof, the Agent hereby agrees to waive the requirements that the Servicer deliver to

the Agent (i) a Daily Expense Report pursuant to clause (y) of Section 5(a) of Amendment No. 4 in order for the Agent to release Collections transferred to, or under the control of, the Agent pursuant to notices previously delivered to the Deposit Banks as contemplated by Section 6.03(a) of the RPA and (ii) weekly descriptions of daily operating expenses pursuant to Section 6.02(g)(v) of the RPA (each such weekly description, a "Weekly Expense Report"); provided that, during any period of time when the Servicer is not delivering Daily Expense Reports and Weekly Expense Reports, and notwithstanding the provisions of Section 7.01(s) and 7.01(t) of the RPA, the Agent shall not be required to release Collections transferred to, or under the control of, the Agent pursuant to Section 5(a) of Amendment No. 4 and shall not be required to make purchases of additional Receivable Interests if either (a) the ratio (expressed as a percentage) computed as of any Business Day by dividing the outstanding Capital as of such date by the aggregate Outstanding Balance of all Pool Receivables on such date shall be greater than 40% or (b) the ratio (expressed as a percentage) computed as of any Business Day by dividing the outstanding Capital as of such date by the Net Receivables Pool Balance on such date shall be greater than 78%; provided, further, that the waiver set forth in this sentence shall terminate if the ratio set forth in the preceding clause (a) or (b) is not satisfied on any Business Day and remains unsatisfied at the close of business on the immediately following Business Day. The Seller may at any time, at its option, so long as no Event of Termination has occurred and is continuing, notify the Agent that it intends to resume delivery of Daily Expense Reports and Weekly Expense Reports on an ongoing basis and upon such resumption, and for so long as the Daily Expense Reports and Weekly Expense Reports continue to be provided, the provisions of the first sentence of this Section 1 shall not apply.

SECTION 2. Effectiveness. This Waiver shall become effective as of the date and time that:

(a) the Agent shall have received, in form and substance reasonably satisfactory to the Agent, (i) a copy of a "debtor-in-possession" financing agreement for ACI, as borrower, providing for a commitment in a principal amount of at least \$100,000,000, subject to customary limitations on, and conditions to, borrowing (the "DIP Financing"), (ii) evidence that the DIP Financing is effective, and, without limiting the foregoing, has been approved by the Canadian Bankruptcy Court, (iii) evidence that the notice of this Waiver has been filed on the Bankruptcy Case docket, and (iv) evidence that the monitor appointed by the Canadian Bankruptcy Court has approved this Waiver and reported thereon to the Canadian Bankruptcy Court; and

(b) Kaye Scholer LLP and Blake, Cassels & Graydon LLP, counsel to the Agent, shall have received payment of all legal fees and expenses invoiced on or prior to April 28, 2009.

SECTION 3. No Other Modifications or Waivers. Except as expressly set forth in Section 1 hereof, this Waiver shall not be deemed a waiver of any Event of Termination, Incipient Event of Termination, Servicer Default or Insurance Policy Event or any other term or condition of any Transaction Document and shall not be deemed to prejudice any right or rights which any Investor or Bank or the Agent (i) have to exercise any rights, remedies, powers, claims

or causes of action now or hereafter available under the RPA, Amendment No. 4, Amendment No. 5 or any other Transaction Document as a result of any past, present or future Event of Termination, Incipient Event of Termination, Servicer Default or Insurance Policy Event or (ii) otherwise may now have or may have in the future under or in connection with any Transaction Document or any of the instruments or agreements referred to therein, as the same may be amended from time to time, and the Agent, for itself and the Investors and the Banks, hereby reserves all of its rights, remedies, powers, claims and causes of action under the RPA, Amendment No. 4, Amendment No. 5 and the other Transaction Documents and under applicable law, all of which rights, remedies, powers, claims and causes of action are cumulative. Without limiting the foregoing, the notices previously delivered to the Deposit Banks as contemplated by Section 6.03(a) of the RPA shall remain effective notwithstanding the waiver granted herein.

SECTION 4. GOVERNING LAW. THIS WAIVER SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

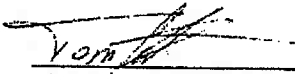
SECTION 5. Language. This Waiver and all related documents have been written in the English language at the express request of the Agent. Le présent contrat ainsi que tous les documents s'y rattachant ont été rédigés en anglais à la demande expresse de Agent.

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IN WITNESS WHEREOF, the undersigned has caused this Waiver to be executed by its officer thereunto duly authorized, as of the date first above written.

CITIBANK, N.A., London Branch, as Agent

By:


Title: Vice President

Name: Tom Sullivan