BMO Capital Markets

BMO Nesbitt Burns Inc.
100 King Street West
Toronto, ON M5X 1H3

March 31, 2009

Abitibi-Consolidated Inc.
1155 Metcalfe Street
Suite 800
Montreal, Quebec
H3B 5H2

Attention: William Harvey, Vice President and Treasurer

Ladies and Gentlemen:

We understand Abitibi-Consolidated Inc. (together with its subsidiaries "**ACI**" or the "**Company**") is seeking to restructure (the "**Restructuring**") its capital structure, through a court-sanctioned plan or other court order under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") or other Canadian corporate and/or insolvency legislation. This letter confirms the understanding and agreement between the Company and BMO Nesbitt Burns Inc. ("**BMO Capital Markets**") in connection with the Restructuring.

1. **Scope of Engagement**. Services to be provided by BMO Capital Markets may include, as appropriate, the following restructuring advisory services as requested by the Company from time to time:

(a) Review of financial forecast:

i. Review the Company's and AbitibiBowater Inc.'s ("**ABH**") business plans, budgets and financial projections and appropriate sensitivity analysis;

ii. Undertake value analysis of the Company, ABH and ABH's other subsidiaries as a going concern;

(b) Capital structure analysis:

i. Assessment of debt capacity of the Company and ABH;

ii. Evaluate potential capital structures for ACI and ABH;

iii. Provide advice on the terms of debt instruments and securities that may form part of the capital structure;

(c) Advise the Company on tactics and strategies for negotiating with stakeholders;

(d) Participate in meetings and negotiations with stakeholders and other parties in relation to the Restructuring;

(e) Advising and assisting the Company in evaluating potential financing transactions and acting (subject to our prior agreement to do so) on behalf of the Company to execute and/or implement such financing transactions;

(f) Assist the Company in preparing documentation within our area of expertise in connection with the Restructuring;

(g) Prepare and deliver to the Company's board of directors, at their request, an Opinion or Opinions (as defined and contemplated herein).

2. Fees and Expenses. Subject to the last paragraph of paragraph 1 above, for our services hereunder, you will pay us the following fees:

(a) **Retainer**: A non-refundable retainer in the amount of C$350,000 payable concurrently with the signing of this engagement agreement.

(b) **Work Fee**: A fee of C$200,000 per month during the term of the engagement under this agreement, payable in arrears on the 1st day of each month with the first payment commencing on May 1, 2009. This fee shall not be duplicative of any work fees BMO Capital Markets receives pursuant to other engagement letters with Abitibi Bowater Inc.

(c) **"DIP" Financing Fee**: If, during the term of the engagement under this agreement, or within six months following the termination of this agreement, ACI or Donohue Corp. or any of their respective subsidiaries raises, issues or otherwise establishes any form of "debtor-in-possession" financing (including, for greater certainty, any continuation or replacement of the accounts receivable securitization program) (a **"DIP" Financing**), the Company shall pay BMO Capital Markets a financing fee equal to 2.0% of the commitment amount of such financing.

Notwithstanding the foregoing, any portion of a DIP financing commitment that is provided by Citigroup, Export Development Canada or the Province of Quebec shall have a reduced financing fee of 1.0% on the portion of such financing provided by such parties..

Such fees shall be calculated and payable when the final syndication of such facilities is reasonably completed.

No fee shall be charged for an initial short term replacement or extension of the Citigroup securitization facility of two months or less, measured from the date ACI files for court protection pursuant to the CCAA to provide time to complete a subsequent "DIP" Financing.

(d) **Exit Financing Fee**: If, during the term of the engagement under this agreement or within six months following the termination of this agreement:

i. ACI or Donohue Corp. or any of their respective subsidiaries completes a financing (a **"Financing"**) (which means any private or public issuance, sale, or placement of equity, equity-linked or debt securities, instruments or obligations of the Company and other than any financing for which a "DIP" Financing Fee is applicable) for cash proceeds; or

ii. ABH or any of its other subsidiaries completes a Financing and some portion of the proceeds of such financing is invested in the Company or Donohue Corp. or distributed to direct stakeholders of the Company or Donohue Corp.;

then, the Company shall pay a total financing fee to the underwriters or placement agents equal to (the "**Financing Fee Grid**"):

i. Equity or equity-linked instruments (no such fee shall be payable on the issuance of equity upon conversion of convertible debt): 5.0%

ii. Unsecured debt: 3.0%

iii. Secured debt: 1.0%

of the gross cash proceeds of such Financing. If the Company is the issuer, it may designate other underwriters or placement agents to the syndicate provided that BMO Capital Markets shall be designated lead or co-lead underwriter or placement agent and it shall constitute a minimum of 25% of such syndicate therefore receiving a minimum of 25% of such Financing Fee Grid. In the event the Company is not the issuer, then the Company shall pay BMO Capital Markets a fee equal to 25% of the amounts set-out in the Financing Fee Grid and any fees paid by ABH or its subsidiaries (other than the Company) to BMO Capital Markets with respect to such Financing shall be credited against the fee described in this sentence.

(e) **Completion Fee**: Upon the completion of a Restructuring the Company shall pay BMO Capital Markets a one time Completion Fee equal to 0.45% of the amount of ACI secured debt (including the US$413 million 13.75% secured notes and US$347 million senior secured term loan) unsecured debt and any other claims settled in the Restructuring process.

(f) **Opinion Fee**: If a fairness opinion (an "**Opinion**") is requested, a fee for each such Opinion of $1,000,000 payable in cash on the date that we advise you that we are prepared to deliver the Opinion. No portion of the fee relating to an Opinion is contingent upon the consummation of the Restructuring or any conclusions set forth in any Opinion.

(g) **Other Advice**: Given the nature of engagements of this kind, it is possible that during the course of this mandate, the Company may require services of a nature and/or scope that are in addition to that contemplated above. In such event, BMO Capital Markets and the Company will negotiate applicable fees in good faith having regard to the fees that are customarily paid to full service investment banks in Canada for the given size and type of transaction.

You will reimburse us on request from time to time for all reasonable out-of-pocket expenses incurred by us in respect of this engagement, including reasonable travel and document production costs, the reasonable fees and disbursements of counsel, engaged by us with your prior written consent, the reasonable fees and disbursements of any consultants engaged by us with your prior consent and other customary expenses for engagements of this type.

You hereby acknowledge that BMO Capital Markets has engaged, with your consent, McMillan LLP as its Canadian counsel and White & Case LLP as its U.S. counsel for matters related to this agreement and as described in paragraph 1.

The fees and expenses referred to above may be subject to goods and services taxes which will be payable by you to us.

3. <u>Disclosure and Use</u>. All opinions, advice and other materials provided by us hereunder are to be used solely by the Company in its preparation, planning and implementation of matters contemplated by the Services and shall not be quoted from, summarized or otherwise disclosed, nor will any reference to us or to this engagement be made, without our prior consent, except to the extent (x) required by law, rule or regulation in any proxy statement

offering circular or similar document, with respect to which our consent will not be unreasonably withheld, conditioned or delayed, (y) required by law, order or legal process in any bankruptcy or reorganization proceeding, or (z) otherwise required by applicable law. If any of the situations described in (x), (y) and (z) apply, the Company shall provide to BMO Capital Markets: reasonable notice of such disclosure and an opportunity to review the intended disclosure and the Company will make reasonable accommodations to the views of BMO Capital Markets with respect to the intended disclosure. If any of the situations described in (y) and (z) apply, if requested by BMO Capital Markets, acting reasonably, the Company shall seek a protective order or other appropriate remedy permitting any such item to be filed under seal. Notwithstanding the foregoing, Opinions and any description thereof shall not be included or disclosed in any proxy statement, offering circular, affidavit, court filing or documents similar to any of the foregoing without BMO Capital Markets' prior written consent and we have approved in advance the text of any accompanying disclosure (which shall not be unreasonably withheld).

4. **Information**. You will arrange for us to have such timely access to your directors, officers, employees and auditors, to your counsel and other consultants, and to your information, in each case, as we may reasonably request in carrying out this engagement. In addition, you will keep us fully informed with respect to all negotiations regarding the matters contemplated by the Services and will promptly provide us with copies of all material documents, draft or final, relating to the matters contemplated by the Services. You agree to provide, or arrange to have provided to, us such information, including any financial forecasts, as we believe reasonably appropriate to permit us to perform our services hereunder and you will update such information as appropriate. You acknowledge that we will be entitled to rely upon such information, and we are entitled to assume, and are under no obligation to verify independently, the accuracy, completeness or reasonableness of such information. Further, we are under no obligation to investigate any changes which may occur in such information after the date upon which it is provided to us. Notwithstanding the foregoing, you will advise us promptly of any material change or change in a material fact, actual or contemplated, and of any material information of which you become aware which might reasonably be considered relevant to our engagement. You will advise us promptly of any communication or notice received by you from, and of any proceeding initiated before or by, any applicable regulatory authority (including any stock exchange) or court relating to the matters contemplated by the Services or which might otherwise be relevant to this engagement. If requested, we will testify or provide reasonable support services before any regulatory authority or court. Our testimony or support services will be confined to the services performed under this agreement. We shall have the right to employ counsel and shall be paid customary fees and reimbursed by you for our reasonable out-of-pocket costs, charges and expenses, including the reasonable fees and disbursements of counsel, with respect to any such testimony or support services in connection with any such testimony.

5. **Matters Related to the Opinions**. It is a condition of our providing Opinions that we receive from the Company a certificate with respect to each Opinion in our customary form executed by the President and the Vice President and Treasurer of ACI with respect to the business and affairs of the Company and as to the accuracy and completeness of all information provided to us hereunder.

To the extent an Opinion relies upon information related to ABH or any of its subsidiaries other than ACI, then it is also a condition of our providing Opinions that we receive from ABH a certificate with respect to each Opinion in our customary form executed by the Chief Executive Officer and the Chief Financial Officer of ABH with respect to the business and affairs of ABH and as to the accuracy and completeness of all information provided to us hereunder.

If we become aware of any information not known by us at the time of the delivery of any Opinion which in our opinion would make the Opinion misleading in any material respect or if we conclude that there has been a material change in the transaction or in any of the information or facts upon which the Opinion is based, we shall be entitled to withdraw and revise or supplement such Opinion. If we determine to withdraw and revise or supplement an Opinion, we will advise you in writing in advance of our intention to do so and consult with you prior to taking such action. If such Opinion has been included, in whole or in part, or summarized in any public document, then our withdrawal of the Opinion and, if applicable, our revised or supplemented Opinion shall be communicated or published in such manner as we may consider appropriate in the circumstances, at your expense.

6. **Indemnification**. You agree to indemnify us and certain other parties in accordance with the provisions contained in Schedule A hereto, which Schedule forms part of this agreement.

7. **Relationship**. You agree that we have been retained to act solely as your financial advisor and not as an advisor to any other party, including your security holders. We shall act as an independent contractor and any duties that we have arising out of this engagement shall be owed solely to you and not to any other party. You acknowledge and understand that (i) we act as a trader of, and dealer in, securities both as principal and on behalf of our clients and, as such, we may have had, and may in the future have, long or short positions in the securities of one or more parties involved in the matters contemplated by the Services or any of their respective related entities and, from time to time, may have executed or may execute transactions on behalf of such persons, (ii) we conduct research on securities and may, in the ordinary course of our business, provide research reports and investment advice to our clients on investment matters, including with respect to any such person and/or element of the matters contemplated by the Services and (iii) we or our controlling shareholder, Bank of Montreal, may, in the ordinary course of business, extend loans or provide other financial services to any such person (collectively, "BMO Business"). You agree not to seek to restrict or challenge the ability of BMO Capital Markets, Bank of Montreal or their affiliates to conduct BMO Business that is not directly related to the matters contemplated by the Services. You acknowledge and agree that if a potential acquirer of the Company or any of its subsidiaries or other assets seeks financing for such an acquisition, we or our controlling shareholder, Bank of Montreal, may act as underwriter, agent or lender in respect of such financing provided that we and any of our affiliates who are involved in such financing implement reasonable procedures to ensure that no confidential information relating to the Company or the proposed matters contemplated by the Services or the acquisition financing, as applicable, is exchanged between the respective teams of employees and agents who are involved in the separate engagements. Neither we nor any of our affiliates will act as mergers and acquisitions adviser to any potential purchaser of ABH, ACI, or Bowater Inc.

8. **Termination and Survival**. This agreement shall terminate on the date on which either you or we give written notice of termination to the other party. The provisions of section 2 (Fees and Expenses), section 3 (Disclosure and Use), section 6 (Indemnification), this section 8 (Termination and Survival) and section 10 (Other Matters)

9. **Court Approval**. BMO Capital Markets understands that the Company is entering into this agreement subject to the approval of the court in which the CCAA filing will take place (the "**Court**"). The Company agrees to promptly seek to have the Court issue an order in form satisfactory to BMO Capital Markets with respect to this engagement agreement and payments thereunder.

The obligations of BMO Capital Markets under this letter are conditional upon the Court making the order contemplated above on terms and conditions satisfactory to BMO Capital Markets, acting reasonably, and such order remaining in full force and effect, unamended and unstayed.

10. **Other Matters**. This agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors. This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the parties irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario. All financial references in this agreement are to Canadian dollars unless otherwise expressly indicated. No waiver, amendment or other modification of this agreement shall be effective unless in writing and signed by each party hereto.

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If the foregoing is in accordance with your understanding, please indicate your agreement by signing and returning the enclosed duplicate copy of this letter.

Yours sincerely,

BMO NESBITT BURNS INC.

by

Name: Glenn Sauntry
Title: Vice Chair

Accepted and agreed to as of the date first set out above.

ABITIBI-CONSOLIDATED INC.

by

Name: William Harvey
Title: Vice President and Treasurer

SCHEDULE A – INDEMNIFICATION

As consideration for BMO Nesbitt Burns Inc. ("BMO Capital Markets") agreeing to provide the services described in the engagement letter to which this Schedule is attached (the "Engagement"), Abitibi-Consolidated Inc. (the "Indemnitor") agrees to indemnify and hold harmless BMO Capital Markets and its affiliates, and each of their respective directors, officers, employees and agents (collectively, the "Indemnified Parties" and each, an "Indemnified Party"), to the full extent lawful, from and against all expenses, losses, damages and liabilities of any nature (including the reasonable fees and expenses of their respective counsel and other expenses, but not including any amount for lost profits) (collectively, "Losses") that are incurred in investigating, defending and/or settling any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party (collectively, the "Claims") or to which an Indemnified Party may become subject or otherwise involved in any capacity insofar as the Claims arise out of or are based upon, directly or indirectly, the Engagement together with any Losses that are incurred in enforcing this indemnity. This indemnity shall not be available to an Indemnified Party in respect of Losses incurred where a court of competent jurisdiction in a final judgment that has become non-appealable determines that such Losses resulted primarily from the negligence or willful misconduct of the Indemnified Party.

If for any reason (other than a determination as to any of the events referred to above) this indemnity is unavailable to an Indemnified Party or is insufficient to hold an Indemnified Party harmless in respect of any Claim, the Indemnitor shall contribute to the Losses paid or payable by such Indemnified Party as a result of such Claim in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Indemnified Party on the other hand but also the relative fault of the Indemnitor and the Indemnified Party as well as any relevant equitable considerations; provided that the Indemnitor shall in any event contribute to the Losses paid or payable by an Indemnified Party as a result of such Claim, the amount (if any) equal to (i) such amount paid or payable, minus (ii) the amount of the fees received by the Indemnified Party, if any, under the Engagement.

The Indemnitor agrees that in case any legal proceeding shall be brought against, or an investigation is commenced in respect of, the Indemnitor and/or an Indemnified Party and an Indemnified Party or its personnel are required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection with or by reason of the Engagement, the Indemnified Party shall have the right to employ its own counsel in connection therewith, and the reasonable fees and expenses of such counsel, as well as the reasonable costs (other than for time spent by its personnel in connection therewith) together with such disbursement and out-of-pocket expenses incurred by the Personnel in connection therewith) shall be paid by the Indemnitor as they occur.

BMO Capital Markets will notify the Indemnitor promptly in writing after receiving notice of an action, suit, proceeding or claim against BMO Capital Markets or any other Indemnified Party or receipt of notice of the commencement of any investigation which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Indemnitor, stating the particulars thereof, will provide copies of all relevant documentation to the Indemnitor and, unless the Indemnitor assumes the defence thereof, will keep the Indemnitor advised of the progress thereof and will discuss all significant actions proposed. The omission to so notify the Indemnitor shall not relieve the Indemnitor of any liability which the Indemnitor may have to an Indemnified Party except only to the extent that any such delay in giving or failure to give notice as herein required materially prejudices the defence of such action, suit, proceeding, claim or investigation or results in any material increase in the liability under this indemnity which the Indemnitor would otherwise have incurred had BMO Capital Markets not so delayed in giving, or failed to give, the notice required hereunder.

The Indemnitor shall be entitled, at its own expense, to participate in and, to the extent it may wish to do so, assume the defence of any Claim, provided such defence is conducted by experienced and competent counsel. Upon the Indemnitor notifying BMO Capital Markets in writing of its election to assume the defence and retaining counsel, the Indemnitor shall not be liable to an Indemnified Party for any legal expenses subsequently incurred by it in connection with such defence. If such defence is assumed by the Indemnitor, the Indemnitor throughout the course thereof will provide copies of all relevant documentation to BMO Capital Markets, will keep BMO Capital Markets advised of the progress thereof and will discuss with BMO Capital Markets all significant actions proposed.

Notwithstanding the foregoing paragraph, any Indemnified Party shall have the right, at the Indemnitor's expense, to separately retain counsel of such Indemnified Party's choice, in respect of the defence of any Claim if: (i) the employment of such counsel has been authorized by the Indemnitor; or (ii) the Indemnitor has not assumed the defence and employed counsel therefor promptly after receiving notice of such action, suit, proceeding, claim or investigation; or (iii) counsel retained by the Indemnitor or the Indemnified Party has advised the Indemnified Party that representation of both parties by the same counsel would be inappropriate for any reason, including for the reason that there may be legal defences available to the Indemnified Party which are different from or in addition to those available to the Indemnitor (in which event and to that extent, the Indemnitor shall not have the right to assume or direct the defence on such Indemnified Party's behalf) or that there is a conflict of interest between the Indemnitor and the Indemnified Party or the subject matter of the Claim may not fall within the indemnity set forth herein (in any of which events the Indemnitor shall not have the right to assume or direct the defence on such Indemnified Party's behalf), provided that the Indemnitor shall not be responsible for the fees or expenses of more than one legal firm in any single jurisdiction for all of the Indemnified Parties. No admission of liability and no settlement of any Claim shall be made by the Indemnitor without the prior written consent of the Indemnified Parties affected (which consent may not be unreasonably withheld) unless such settlement includes an unconditional release of each Indemnified Party from any liabilities arising out of such Claim without any admission of negligence, misconduct, liability or responsibility by any Indemnified Party.

The Indemnitor hereby acknowledges that BMO Capital Markets acts as trustee for the other Indemnified Parties of the Indemnitor's covenants under this indemnity and BMO Capital Markets agrees to accept such trust and to hold and enforce such covenants on behalf of such persons.

The indemnity and contribution obligations of the Indemnitor hereunder shall be in addition to any liability which the Indemnitor may otherwise have (including under the Engagement), shall extend upon the same terms and conditions to the Indemnified Parties and shall be binding upon and enure to the benefit of any successors, permitted assigns, heirs and personal representatives of the Indemnitor, BMO Capital Markets and any other Indemnified Party. The foregoing provisions shall survive any termination of the Engagement.