CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. : 500-11-036133-094

SUPERIOR COURT

Commercial Division
(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act)

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.

And

ABITIBI-CONSOLIDATED INC.

And

BOWATER CANADIAN HOLDINGS INC.

And

the other Petitioners listed on Schedules "A", "B" and "C"

Petitioners

And

ERNST & YOUNG INC.

Monitor

MOTION FOR AN ORDER AUTHORIZING A REPLACEMENT SECURITIZATION FACILITY AND TO AMEND THE INITIAL ORDER

TO THE HONOURABLE CLÉMENT GASCON J.S.C. OR TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, THE PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:

1. On April 17, 2009, this Honourable Court issued an order (as amended and restated, the "**Initial Order**") pursuant to the *Companies' Creditors Arrangements Act* (the "**CCAA**") in respect of Abitibi-Consolidated Inc. ("**ACI**") and the subsidiaries listed in Schedule "A" hereto (collectively with ACI, the "**Abitibi Petitioners**") as well as in respect of Bowater Canadian Holdings Incorporated and to the subsidiaries listed on Schedule "B" hereto (collectively, the "**Bowater Petitioners**") and the partnerships listed on Schedule "D" hereto. Unless otherwise indicated, all capitalized terms herein shall have the meaning attributed to them in the Petitioners' *Petition for the Issuance of an Initial Order* (the "**CCAA Petition**") dated April 17, 2009.

2. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. and certain of their U.S. and Canadian subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "**Chapter 11 Proceedings**") and on April 17, 2009, ABH and the Petitioners listed on Schedule "C" hereto (collectively with ABH, the "**18.6 Petitioners**") obtained orders under s. 18.6 of the CCAA in respect of the Chapter 11 Proceedings.

3. The Abitibi Petitioners, the Bowater Petitioners and the 18.6 Petitioners (collectively, the "**Petitioners**") are all direct or indirect subsidiaries of ABH (collectively, with its subsidiaries, the "**ABH Group**").

4. Pursuant to the Initial Order, ACI was authorized by this Court to enter into and deliver the necessary amendments (the "**Waiver Agreement**", already communicated as **Exhibit R-19** to the CCAA Petition) which provides for the continuation of an existing two-level receivables securitization program (the "**Existing Program**") with respect to the receivables of ACI and Abitibi Consolidated Sales Corporation ("**ACSC**"), the whole as appears from paragraphs 29 to 45 of the Initial Order.

5. The Existing Program functions to reduce the working capital requirements of the ACI Group and the DCorp Group and provides liquidity by enabling entities in these groups to realize the cash equivalent value of certain of their accounts receivable prior to the usual collection period, the whole as more fully detailed in the CCAA Petition (paragraphs 183 and following).

6. Maintaining a securitization program has been, and continues to be, an integral part of the ABH Group's capital structure. The ABH Group's ability to continue securitizing accounts receivable generated by ACI and ACSC is necessary for it to have sufficient working capital to support its operations, the whole as more

fully set out below.

7. On April 17, 2009, this Court was advised (paragraph 200 of the CCAA Petition) that the Waiver Agreement provided a period of approximately five weeks to negotiate alternative financing arrangements to replace the existing securitization arrangements, the whole subject to approval by this Court.

8. The Petitioners hereby seek the authorization of this Court to enter into certain amended and restated securitization program agreements (the "**Amended Program**") designed to refinance and replace the Existing Program, while continuing its current structure.

9. In light of the fact that U.S. entities which are debtors in the context of the Chapter 11 Proceedings are parties to the Existing Program, the replacement of the Existing Program also requires the authorization of the U.S. Bankruptcy Court for the District of Delaware. Accordingly, on May 18, 2009, the debtors in the Chapter 11 Proceedings served and filed a *Debtor's Motion for an Order Pursuant to Sections 105, 362(d), 363(b)(l), 363(c), 363(f), 363(l), 363(m), 364(c), 364(e) and 365 of the Bankruptcy Code* which is scheduled to be heard on May 27, 2009.

10. The Amended Program allows the previously authorized sale of receivables and related rights to continue, thereby providing the ABH Group with the liquidity required in order to conduct its business during the restructuring.

A. Proposals for the Replacement of the Existing Program

11. Beginning in March 2009, ABH began soliciting proposals to replace the Existing Program. After extensive discussions with various interested parties, ABH secured three competing proposals for financing of up to USD$300 million.

12. ABH received a proposal (the "**Citibank Proposal**") from ABH's existing securitization provider, Citibank, N.A. ("**Citibank**"). ABH also received a proposal (the "**First Alternate Proposal**") from a second major financial institution. Finally, ABH received several iterations of a proposal (the "**ACCC Term Lenders' Proposal**") from the lenders (the "**ACCC Term Lenders**") under the Credit and Guaranty Agreement dated as of April 1, 2008 (the "**ACCC Term Loan**") pursuant to which ACCC is a borrower.

13. Set forth below is a chart outlining the interest rates, fees and maturity dates associated with each of the three proposals considered by the ABH's Board of Directors on April 28, 2009:

	CITIBANK PROPOSAL	FIRST ALTERNATE PROPOSAL	ACCC TERM LENDERS' PROPOSAL
Facility Size	USD$300 million	USD$300 million	USD$300 million (Note: this proposal proposed a financing of up to

			USD$300 million with a "roll-up" of the ACCC Term Lenders' loans)
Interest Rate	L+750 bps (3.0% floor) Base Rate + 650 bps (4.0% floor) First Extension of Maturity: additional 1.0% incremental margin Second Extension of Maturity: additional 1.0% incremental margin (total for two extensions of 2.0%)	L+650 bps (3.5% floor) Base Rate + 550 bps (4.5% floor) First Extension of Maturity: additional 1.0% incremental margin Second Extension of Maturity: additional 1.0% incremental margin (total for two extensions of 2.0%)	L+1000 bps (3.5% floor)
Facility Fees (Arranger /Upfront /Exit)	USD$9.95 million (inclusive of fees subsequently agreed with Barclays as syndication agent)	USD$21 million	USD$22.6 million
Standby Fee	1.5%	2.0%	1.5%
Total all-in cost	USD$32.5 million	USD$43.0 million	USD$51.1 million
Maturity	One year, with two – three month extension options	One year, with two – three month extension options	One year

14. On May 11, 2009, the ACCC Term Lenders communicated a revised proposal which consists of a USD$200 million multiple draw term loan facility or receivables purchase agreement, with a USD$100 million uncommitted incremental facility with terms, conditions and fees to be mutually determined. The USD$200 million facility carries an interest rate of LIBOR plus 7.5% with a 3.5% floor, and can be extended beyond its one year maturity for two three month periods upon payment of 1.0% for each extension, with an all-in cost of USD$32.1 million (excluding fees for the USD$100 million uncommitted incremental facility). This facility also calls for a "roll up" of the ACCC Term Lenders' loans. Even with the improved financial terms of the revised proposal, the ACCC Term Lenders' Proposal remains incomplete, leaving many basic terms, including the ultimate structure of the facility, to be determined.

15. On April 28, 2009, ABH's Board of Directors considered the three competing proposals. The ACI Group's financial advisor for the CCAA proceedings, BMO Capital Markets ("**BMO**"), was present along with the ABH Groups' financial advisor in the U.S., Blackstone Advisory Services L.P. ("**Blackstone**"). The Board was presented an analysis prepared by BMO and reviewed by Blackstone which compared the three proposals. After the presentation, management recommended that the Citibank Proposal was the most advantageous of the three proposals.

16. Following these discussions, the Board unanimously decided that the Company should take steps to finalize Citibank's Proposal as expeditiously as possible. The Citibank Proposal was chosen because of its significantly lower cost and the definitive margining rates offered by Citibank, as well as the stability and certainty provided by transitioning to a replacement financing facility with Citibank, the current provider under the Existing Program, in an extremely compressed time period.

B. The Existing Program and the Amended Program

17. The Existing Program is described in the CCAA Petition (paragraphs 185 and following). It is implemented through the Purchase Contribution Agreement (the "**Existing PCA**"), the Receivables Purchase Agreement (the "**Existing RPA**") and the Financing Agreements. Copies of the Existing PCA, the Existing RPA and the Financing Agreements were respectively communicated as **Exhibits R-16, R-17** and **R-18** in support of the CCAA Petition.

18. The operations of the Existing Program may broadly be summarized as follows:

(a) accounts receivable are sold or contributed to a special purpose entity, Abitibi Consolidated U.S. Funding Corp. ("**ACI Funding**"), at a discount based upon the outstanding balance on the accounts receivable. The accounts receivable originate either from (i) U.S. based customers, in which case the inventory is sold by ACSC and the accounts receivable are sold to ACI Funding by ACSC; or (ii) Canadian and non-European international customers, in which case the inventory is sold by ACI and the accounts receivable are sold directly to ACI Funding by ACI (thus bypassing ACSC). Inventory sold to European customers is sold by a United Kingdom entity and the accounts receivable do not enter into the securitization program.

(b) ACI Funding pays ACI in cash for the receivables using money from (i) collections on the accounts receivable previously sold or contributed to it, and (ii) proceeds from the sale of undivided interests in such accounts receivables pursuant to the Existing Program. For purchases from ACSC, ACI Funding may also pay for receivables by increasing the Deferred Purchase Note (as defined in the Existing PCA).

(c) under the Existing Program, Citibank, N.A. London Branch ("**CLB**") has committed to purchase receivables in an aggregate principal amount of up to USD$210 million;

(d) in practice, ACI and ACSC sell inventory that constitutes collateral of the ACCC Term Lenders. Upon the creation of accounts receivable as proceeds of the sale of inventory and immediate sale of the accounts receivable to ACI Funding, any lien held by the ACCC Term Lenders in the accounts receivable is automatically released in accordance with agreed-upon contractual terms. The ACCC Term Lenders continue to hold security in the proceeds of the sale of receivables;

(e) accounts receivable are collected through various separate lockboxes subject to blocked account control agreements in favor of CLB. Funds from the lockboxes are transferred daily into accounts controlled by CLB that serve to concentrate customer payments on receivables. To obtain advances, the Company provides CLB with a daily report, the parties calculate the amount available (or owed) under the program and CLB releases funds available;

(f) financing available to ACI Funding under the Existing Program is limited by the outstanding balance of the eligible receivables, the size of the total reserves under the program and other factors. As a result, ACI Funding owns a substantial number of accounts receivable against which CLB does not advance funds. Thus, the equity of ACI Funding owned by ACSC and pledged to the administrative and collateral agent under the ACCC Term Loan holds significant value.

19. The Amended Program substantially mirrors the Existing Program and the above description of the Existing Program is illustrative of the Amended Program. The structure of the Existing Program is preserved by the Amended Program and the need for significant modification to the securitization documentation is therefore reduced.

20. On May 18, 2009, ACI and ACI Funding entered into an engagement letter with Citibank (the "**Citibank Engagement Letter**") to which is attached a term sheet (the "**Term Sheet**") which sets forth the terms upon which the Existing Program will be amended. That same day, ACI and ACI Funding entered into a substantially similar engagement letter with Barclays Capital Inc. (the "**Barclays Engagement Letter**") to which is attached the same Term Sheet. The Citibank Engagement Letter and Barclays Engagement Letter are communicated, respectively and with the attached Term Sheet, as **Exhibits R-1** and **R-2.**

21. The transition from the Existing Program to the Amended Program entails entering into the following agreements:

(a) an Amended and Restated Receivables Purchase Agreement (the "**ARRPA**") substantially in accordance with the Term Sheet, which said

ARRPA shall amend and restate the Existing RPA communicated as **Exhibit R-17** in support of the CCAA Petition;

(b) an Amended and Restated Purchase and Contribution Agreement (the "**ARPCA**") substantially in accordance with the Term Sheet, which said ARPCA shall amend and restate the Existing PCA communicated as **Exhibit R-16** in support of the CCAA Petition;

(c) a Third Amended and Restated Four Party Agreement for Sold Accounts (General) substantially in accordance with the Term Sheet, amending that certain Second Amended and Restated Four Party Agreement for Sold Accounts (General) dated as of January 31, 2008, already communicated as **Exhibit R-18(f)** to the CCAA Petition;

as well as the delivery and execution of ancillary documents to implement the transaction contemplated in the Term Sheet.

22. The most significant amendments will be made to the Existing RPA and will include the following:

(a) naming Citibank as the successor Agent;

(b) revising the manner in which the advance rate is calculated, including by changing the method of calculating the reserves;

(c) adding covenants to require maintenance of certain credit insurance programs;

(d) extending the maturity date and providing for further extensions upon the satisfaction of certain conditions;

(e) modifying the events of termination;

(f) requiring ACI Funding to pay to the Banks under the ARRPA, on the Termination Date (as defined in the ARRPA), the sum of all capital, accrued yield and fees and any other amounts then payable by ACI Funding to the Agent or the Banks under any of the Facility Documents (as said term is defined in the Term Sheet) and any other documents delivered in connection therewith;

(g) the inclusion of additional Banks; and

(h) the removal of Eureka as a party to the ARRPA.

23. The obligations of ACI Funding to the Banks will be guaranteed by Donohue Corp. and certain of its subsidiaries pursuant to a Guaranty and Undertaking Agreement (the "**Guaranty Agreement**"). ACI will be a party to the Guaranty

Agreement to provide certain representations and covenants, but will not be a guarantor.

24. Under the Amended Program, Citibank and Barclays will work together as joint lead arrangers to arrange for syndication up to USD$300 million, pursuant to the terms set forth in the Citibank Engagement Letter and in the Barclays Engagement Letter.

C. Petitioners' Financing Needs

25. On May 6, 2009, this Court granted an Order pursuant to which a USD$100 million super priority debtor-in-possession credit facility was approved for the ACI Group (the "**ACI DIP**") . The ACI DIP is subject to a minimum availability of USD$12.5 million to be maintained at all times, leaving USD$87.5 available for working capital and other general corporate purposes. However, pursuant to its terms, proceeds from the ACI DIP cannot be used to repay amounts outstanding under the Existing Program.

26. The Existing Program will terminate on June 1, 2009 pursuant to an event of termination that is triggered 45 days after the Chapter 11 Proceedings Petition Date in the United States (April 16, 2009).

27. If the Existing Program terminates, it will immediately unwind, permitting Citibank to apply all current and future amounts collected in the securitization lock box accounts to the approximately USD$135,000,000 of capital currently extended to the ACI and DCorp Groups pursuant to the Existing Program. This will leave these entities without enough cash to operate their businesses.

28. Absent the proposed Amended Program, although ACI and ACSC would no longer be required to sell accounts receivable to ACI Funding, they would have to wait until their accounts receivable are collected in the ordinary course to obtain liquidity to operate their businesses. Cash constrained, the Petitioners would not be able to obtain emergency financing on a secured basis because the substantial asset value of ACI Funding – the accounts receivable generated by the ACI and DCorp Groups' businesses over time – would not be released from Citibank's lien.

29. Neither the ACI DIP nor the Amended Program could, individually, provide the ACI and DCorp Groups with sufficient liquidity to maintain operations in the ordinary course. Both facilities are required to provide the ACI and DCorp Groups with necessary liquidity, the whole as appears from the Monitor's Fifth Report at paragraph 52.

30. The Petitioners' ability to maintain business relationships with their vendors, suppliers and customers, to pay their employees, to purchase and supply new inventory and otherwise finance their operations, is essential to the Petitioner's continued viability and is largely dependent on the approval of the Amended Program.

D. Conclusions

31. For the reasons set forth above, the Petitioners believe it is both appropriate and necessary that the relief being sought be granted. With such relief, the Petitioners will be able to restructure their business and affairs to maximize long term value for the benefit of all stakeholders.

32. Considering the urgency of the situation, the Petitioners respectfully submit that the notices given for the presentation of this Motion are proper and sufficient.

33. The present Motion is well-founded in fact and in law.

WHEREFORE MAY THIS COURT:

[1] **GRANT** this Motion.

[2] **FURTHER AMEND AND RESTATE** the Second Amended Initial Order rendered in this matter on May 6, 2009, by replacing paragraphs 29 to 45 with the following:

> **Securitization Program**
>
> [29] **ORDERS** that ACI is authorized and empowered to enter into an amended and restated guaranteed receivables purchase program (the "**Amended and Restated Receivables Purchase Program**") and enter into the Amended Securitization Program Agreements (as defined in paragraph 30 hereto), including the following, and the Amended Securitization Program Agreements are hereby expressly ratified and approved:
>
> a) an Amended and Restated Receivables Purchase Agreement (the "**ARRPA**"), substantially in accordance with the term sheet (the "**Term Sheet**") attached to that certain engagement letter (the "**Citibank Engagement Letter**") dated May 18, 2009, by and between Citibank N.A. ("**Citibank**"), ACI and Abitibi-Consolidated U.S. Funding Corp. ("**ACI Funding**") as well as to that certain engagement letter (the "**Barclays Engagement Letter**") dated May 18, 2009, by and between Barclays Capital Inc. ("**Barclays**"), ACI and ACI Funding, which said ARRPA shall amend and restate that certain Amended and Restated Receivables Purchase Agreement, dated as of January 31, 2008 (as heretofore amended, the "**Existing RPA**"), **Exhibit R-17** in support of the Petition, among ACI Funding, Eureka Securitisation, plc ("**Eureka**"), Citibank, Citibank, N.A., London Branch (along with any successor thereto, the "**Agent**"), ACI, in its capacity as Subservicer and an Originator, and Abitibi-Consolidated Sales Corporation ("**ACSC**"), in its capacity as Servicer and an Originator;

b) an Amended and Restated Purchase and Contribution Agreement (the "**ARPCA**"), which said ARPCA shall amend and restate that certain Amended and Restated Purchase and Contribution Agreement, dated as of January 31, 2008 (as heretofore amended, the "**Existing PCA**"), **Exhibit R-16** in support of the Petition, among ACI and ACSC as Sellers and ACI Funding as Purchaser in order to make certain changes to the Existing PCA in connection with the entry into, and implementation and effectuation of the Amended and Restated Receivable Purchase Program (the terms "**Receivables**" and "**Related Security**" shall have the meanings attributed thereto in the ARPCA);

c) such other ancillary documentation as may be required or desirable in connection with the entry into, implementation and effectuation of the Amended and Restated Receivables Purchase Program, in each case substantially in accordance with the Term Sheet (as amended and restated, collectively referred to with the ARRPA and the ARPCA as the "**Receivables Agreements**");

copies of the Citibank Engagement Letter and the Barclays Engagement Letter are communicated, respectively, as **Exhibits R-1** and **R-2** to Petitioners' Motion for an Order Authorizing a Replacement Securitization Facility and to Amend the Initial Order.

[30] **ORDERS** that ACI is hereby directed, authorized and empowered to perform or continue to perform its obligations, including the sale and servicing of Receivables and all Related Security, under the Receivables Agreements and under the following agreements to which it is a party (as amended and restated, the "**Financing Agreements**" and collectively with the Receivables Agreements, the "**Amended Securitization Program Agreements**"):

a) the Undertaking Agreement (Servicer) dated as of October 27, 2005 by ACI in favour of Eureka, Citibank and the other Banks (as defined in the Existing RPA) that are party to the Existing RPA, as amended;

b) the Undertaking Agreement (Originator) dated as of October 27, 2005 by ACI in favour of ACI Funding, as amended;

c) the Deposit Account Control Agreement dated as of January 31, 2008 among ACI Funding, ACI, ACSC, Citibank and the Agent;

d) the Blocked Accounts Agreement dated as of October 27, 2005 among ACI, ACSC, the Agent, Royal Bank of Canada and ACI Funding;

e) the Agreement Re: Pledged Deposit Accounts dated as of October 27, 2005 among ACSC, ACI, ACI Funding, the Agent and LaSalle Bank National Association;

f) the Third Amended and Restated Four Party Agreement for Sold Accounts (General) substantially in accordance with the Term Sheet, amending that certain Second Amended and Restated Four Party Agreement for Sold Accounts (General) dated as of January 31, 2008 among Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch, ACI, ACI Funding, the Agent and Citibank;

g) the Intercompany Agreement dated as of December 20, 2007 between ACI and ACSC;

h) the Accounts Receivable Policy (Shipments) General Terms and Conditions, plus the Coverage Certificate effective September 1, 2008 (together with all schedules and endorsements thereto) issued by Export Development Canada and Compagnie Française d'Assurance pour le Commerce Extérieur - Canada Branch to ACI; and

i) the Guaranty and Undertaking Agreement substantially in accordance with the Term Sheet among ACI, Citibank and the various guarantors.

[31] **ORDERS** that ACI is hereby authorized and empowered to continue selling the relevant Receivables and Related Security to ACI Funding pursuant to and in accordance with the Amended Securitization Program Agreements, and such sale shall continue to be and be free and clear of any lien, claims, charges or encumbrances and other interests of any of ACI, ACSC, the Petitioners or their respective creditors, including any charges created pursuant to this Order.

[31.1] **ORDERS** that ACI is hereby authorized and empowered to continue fulfilling its obligations under the Existing RPA, the Existing PCA and the Financing Documents, including but not limited to, the sale of relevant Receivables and Related Security, until such date as the Amended Securitization Program Agreements are in effect.

[32] **DECLARES** that the transfers by ACI of its Receivables and Related Security to ACI Funding under the ARPCA shall constitute and continue to constitute true sales under applicable non-bankruptcy law and are hereby deemed true sales and were and will be for fair consideration. Upon the transfer of the Receivables to ACI Funding, the Receivables and Related Security did (with respect to transfers occurring prior to the date hereof) and will (with respect to transfers occurring on or after the date hereof) become the sole property of ACI Funding, and none of the Petitioners, nor any creditors of the Petitioners, shall retain any ownership rights, claims, liens or interests in or to the Receivables and

Related Security, or any proceeds therefrom including, without limitation, pursuant to any theory of substantive consolidation or otherwise.

[33] **DECLARES** that each Amended Securitization Program Agreement constituted and continues to constitute a valid and binding obligation of ACI, enforceable against ACI in accordance with its terms and that the terms and conditions of the Amended Securitization Program Agreements have been negotiated in good faith and at arm's length and the transfers made or to be made and the obligations incurred or to be incurred thereunder shall be deemed to have been made for fair or reasonably equivalent value and in good faith.

[34] **DECLARES** that upon their transfer by ACI pursuant to the Amended Securitization Program Agreements, neither the Receivables nor the Related Security, nor the proceeds thereof, shall constitute property of the patrimonies of any of the Petitioners or their affiliates, including notwithstanding any intentional or inadvertent deposit of any proceeds of the Receivables in bank accounts owned or controlled by any of the Petitioners or their affiliates.

[35] **DECLARES** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein; (ii) any bankruptcy application or bankruptcy motion filed pursuant to the BIA in respect of the Petitioners and any bankruptcy order or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners; (iii) proceedings taken by ACI under Chapter 15 of Title 11 of The United States Code ("**ACI's Chapter 15 Proceedings**"); or (iv) the provisions of any federal or provincial statute, the transfers of Receivables and Related Security made by ACI pursuant to the Amended Securitization Program Agreements and this Order did not, and on or after April 17, 2009, do not and will not, constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

[36] **DECLARES** that the performance by ACI, ACSC and ACI Funding of their respective obligations under the Amended Securitization Program Agreements, and the consummation of the transactions contemplated by the Amended Securitization Program Agreements, and the conduct by ACI, ACSC and ACI Funding of their respective businesses, whether occurring prior to or subsequent to the date hereof did not, on or after April 17, 2009, do not, and shall not, provide a basis for a substantive consolidation of the assets and liabilities of ACI and ACSC, or any of them, with the assets and liabilities of ACI Funding or a finding that the separate corporate identities of ACI, ACSC and ACI Funding may be ignored. Notwithstanding any other provision of this Order, the Agent, Citibank and the other parties thereto have agreed to enter into the Amended Securitization Program Agreements in express reliance on ACI Funding being a separate and distinct legal entity, with assets and liabilities separate and distinct from those of any of the Petitioners.

[37] **DECLARES** that the transfers of Receivables and Related Security by ACI pursuant to the Amended Securitization Program Agreements and this Order

shall continue to be valid and enforceable as against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Petitioners, for all purposes.

[38] **DECLARES**, for greater certainty, that the Facility Termination Date and the Commitment Termination Date (as each is defined in the Existing RPA or Existing PCA or in the ARRPA or ARPCA) have not occurred as a consequence of the commencement of these proceedings, the U.S. Proceedings, ACI's Chapter 15 Proceedings or the taking of corporate actions by ACI or ACSC to approve such proceedings, or the failure of ACI or ACSC to pay any debts that are otherwise stayed by any of the foregoing or the written admission by ACI or ACSC of its inability to pay such debts.

[39] **ORDERS AND DECLARES** that collections of Receivables and other funds which are subject to the Deposit Account Control Agreement dated as of January 31, 2008, the Agreement Re: Pledged Deposit Accounts dated as of October 27, 2005, the Blocked Accounts Agreement dated as of October 27, 2005, the Second Amended and Restated Four Party Agreement for Sold Accounts (General), dated as of January 31, 2008, or the Third Amended and Restated Four Party Agreement for Sold Accounts (General), referred to above, shall be processed and transferred pursuant to such deposit and blocked account agreements and each bank party thereto is directed to comply therewith.

[40] **ORDERS** that ACI is hereby authorized and empowered to make, execute and deliver all instruments and documents and perform all other acts (including, without limitation, the perfection of ACI Funding's ownership interest in the Receivables) that may be required in connection with the Amended Securitization Program Agreements and the transactions contemplated thereby; it being expressly contemplated that pursuant to the terms of the Amended Securitization Program Agreements, ACI and ACSC shall be expressly authorized and empowered to continue to service, administer and collect the Receivables and Related Security on behalf of ACI Funding pursuant to the Amended Securitization Program Agreements, and with respect to ACI, ACSC and ACI Funding, each shall be expressly authorized and empowered to make, execute and deliver all instruments and documents and perform all other acts that may be required in connection with the Amended Securitization Program Agreements and the transactions contemplated thereby.

[41] **ORDERS** that ACI is hereby authorized and empowered to continue to use the proceeds of the arrangements contemplated by the Amended Securitization Program Agreements in the operation of the Petitioners' businesses, provided however, that the use of the proceeds are consistent with the terms of the Amended Securitization Program Agreements, this Order or as may otherwise be agreed in writing by the Agent.

[42] **ORDERS AND DECLARES** that without limiting ACI's duty to comply with and fulfill any obligations under the Amended Securitization Program Agreements, ACI shall perform and pay all indemnification and other obligations

to the Agent, Citibank and any other Indemnified Parties (as defined in the ARRPA) under the Amended Securitization Program Agreements, all obligations to ACI Funding under the Amended Securitization Program Agreements, and all of its obligations in respect of the Insurance Policy (as defined in the ARRPA).

[43] **ORDERS AND DECLARES** that, notwithstanding the terms of this Order, the parties to the Amended Securitization Program Agreements other than ACI shall in that capacity be unaffected in these proceedings and by any plan of compromise or arrangement proposed by any of the Petitioners under the CCAA or by any proposal filed by any of the Petitioners under the BIA, and for greater certainty, paragraph 46(f) of this Order shall not apply to the Amended Securitization Program Agreements.

[44] **DECLARES** that this Order shall not stay or otherwise apply to restrict in any way the exercise of any rights of any Person under any of the Amended Securitization Program Agreements.

[45] **ORDERS AND DECLARES** that subject to further order of this Court, no order shall be made varying, rescinding, or otherwise affecting paragraph 28 hereof in respect of the Securitization Program, or inventory sales by ACI and the sale of inventory by ACI to ACSC and paragraphs 29 to 45.2 hereof or any other reference to the Securitization Program or the Amended Securitization Program Agreements herein, unless either (a) notice of a motion for such order is served on the Agent and ACI by the moving party within seven (7) days after that party was provided with notice of this Order in accordance with paragraph 70(a) hereof or (b) the Agent and ACI apply for or consent to such order.

[45.1] **ORDERS AND DECLARES** that notwithstanding paragraph 45 hereof, the parties to the Amended Securitization Program Agreements are hereby expressly authorized to make, execute and deliver one or more non-material amendments complying with the following to said Amended Securitization Program Agreements in such form as the parties thereto may agree with prior notice to the Monitor, it being understood that no further approval of this Court shall be required for amendments to the Amended Securitization Program Agreements, other than amendments extending the maturity date, changing interest payable, imposing material negative covenants or requiring the payment of additional fees.

[45.2] **ORDERS** that notwithstanding the amendment and restatement of this Order, paragraphs 29 to 45 of the Second Amended and Restated Initial Order made May 6, 2009 shall remain in full force and effect with respect to the Waiver Agreement and the Securitization Program Agreements (as defined in such Order).

[3] **ORDER** the provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security.

THE WHOLE WITHOUT COSTS, save and except in the event of contestation.

Montréal, May 21, 2009

Stikeman Elliott LLP

Stikeman Elliott LLP
Attorneys for the Petitioners

AFFIDAVIT

I, the undersigned, Allen Dea, having my principal place of business at Suite 800, 1155 Metcalfe Street, Montréal, Quebec, H3B 5H2 solemnly declare the following:

1. I am the Vice President, Secretary of Abitibi-Consolidated Inc. and the Vice President, Treasurer of AbitibiBowater Inc.;

2. All the facts alleged in the *Motion for an Order Authorizing a Replacement Securitization Facility and to Amend the Initial Order* are true.

AND I HAVE SIGNED

ALLEN DEA

Solemnly declared before me at Montréal, on the 21th day of May, 2009

, avocate 2579154
Commissioner for oaths

NOTICE OF PRESENTATION

TO : **SERVICE LIST**

TAKE NOTICE that the *Motion for an Order Authorizing a Replacement Securitization Facility and to Amend the Initial Order will* be presented for adjudication before one of the Honourable Judges of the Superior Court, sitting in practice in and for the District of Montreal, in Room **to be announced** of the **Montreal Court House, 1 Notre-Dame St. East**, on **May 25, 2009**, at **9:00 AM** in the forenoon, or so soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, May 21, 2009

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

SUPERIOR COURT

Commercial Division (Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.
And
ABITIBI-CONSOLIDATED INC.
And
BOWATER CANADIAN HOLDINGS INC.
And
the other Petitioners listed on Schedules "A", "B", "C"

Petitioners

And
ERNST & YOUNG INC.

Monitor

BS0350 File: 041053-1170

MOTION FOR AN ORDER AUTHORIZING A REPLACEMENT SECURITIZATION FACILITY AND TO AMEND THE INITIAL ORDER
(Sections 9 and 11 of the *Companies' Creditors Arrangement Act*, R.C.S. 1985 c. C-36),
AFFIDAVIT and NOTICE OF PRESENTATION

ORIGINAL

Me Guy P. Martel (514) 397-3163
Fax : (514) 397-3493

STIKEMAN ELLIOTT
Stikeman Elliott LLP BARRISTERS & SOLICITORS
40th Floor
1155 René-Lévesque Blvd. West
Montréal, Canada H3B 3V2

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. : 500-11-036133-094

SUPERIOR COURT

Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.

And

ABITIBI-CONSOLIDATED INC.

And

BOWATER CANADIAN HOLDINGS INC.

And

the other Petitioners listed on Schedules "A", "B" and "C"

Petitioners

And

ERNST & YOUNG INC.

Monitor

LIST OF EXHIBITS OF THE PETITIONERS

DESCRIPTION		TAB
R-1:	Citibank, N.A. Engagement Letter	1
R-2:	Barclays Capital Inc. Engagement Letter	2

Montreal, this 21th day of May, 2009

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

EXHIBIT R-1

Highly Confidential

CITIBANK, N.A.
390 Greenwich Street
New York, New York 10013

May 18, 2009

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

Abitibi-Consolidated U.S. Funding Corp.
ACUSFC Room
55 E. Camperdown Way
Greenville, SC, 29601

ENGAGEMENT LETTER

Ladies and Gentlemen:

Abitibi-Consolidated Inc., a Canadian corporation ("**ACI**"), a party to a proceeding (the "**Canadian Case**") under the Companies Creditors Arrangement Act (the "**CCAA**"), has advised us that ACI's affiliate, Abitibi-Consolidated U.S. Funding Corp., a Delaware corporation (the "**Seller**"), desires to amend and restate (by way of assignment and subsequent amendment and restatement) the accounts receivable securitization facility presently being made available to the Seller pursuant to, among other agreements, that certain Amended and Restated Receivables Purchase Agreement, dated as of January 31, 2008, among the Seller, Citibank, N.A. ("**Citibank**") and the other parties thereto. ACI has requested that Citi (as defined below) accept an engagement to arrange an amended accounts receivable securitization facility in an amount of up to $300 million (the "**Facility**"), on terms and conditions substantially consistent with those set forth in the attached term sheet (the "**Term Sheet**"), for the Seller. The obligations of the Seller under the Facility upon certain termination events will be guaranteed by Donohue Corp., a Delaware corporation ("**Donohue**") and each of the direct and indirect wholly-owned subsidiaries of Donohue other than the Seller (Donohue and each such subsidiary, collectively, the "**Guarantors**"). Each of the Guarantors is a debtor and a debtor-in-possession in proceedings (the "**US Cases**" and, together with the Canadian Case, the "**Cases**") under chapter 11 of Title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"). ACI, the Guarantors and the Seller are referred to, collectively, as the "**Obligors**". This Engagement Letter supersedes in its entirety that certain Engagement Letter, dated May 7, 2009, between the parties hereto.

Subject to the terms and conditions of this letter (the "**Engagement Letter**"), Citibank, on behalf of Citi (as defined below), is pleased to inform ACI of its willingness to use its best efforts to arrange a syndicate of financial institutions (the "**Banks**") for the Facility and to act as administrative agent for the Facility (it being understood and agreed that neither Citibank nor any of its affiliates is agreeing to underwrite such syndication). In addition, Citibank is pleased to inform you of Citi's commitment (the "**Citi Commitment**") to provide $50,000,000 of the Facility, subject to the terms and conditions set forth in this Engagement Letter and the Term Sheet. For purposes of this letter, "**Citi**" means Citigroup Global Markets Inc., Citibank, Citicorp USA, Inc., Citicorp North America, Inc. and/or any of their affiliates as may be appropriate to consummate the transactions contemplated hereby. This Engagement Letter, the Term Sheet and the Fee Letter (as defined in Section 5 below) are referred to, collectively, as the "**Engagement Documents**".

Section 1. Conditions Precedent with respect to the Facility. The Citi Commitment and Citibank's agreements hereunder with respect to the Facility (the "**Citi Agreements**") are subject to: (i) the preparation, execution and delivery of mutually acceptable documentation, incorporating substantially the terms and conditions outlined in this Engagement Letter and the Term Sheet and otherwise satisfactory to Citibank; (ii) in the reasonable judgment of Citibank, the absence of any material adverse change in the business, financial condition, operations, prospects or assets of the Obligors and their respective subsidiaries, taken as a whole, since December 31, 2007 (except as publicly disclosed by the Seller or any of its affiliates (including, without limitation, AbitibiBowater Inc.) or as otherwise heretofore disclosed in writing to Citibank); (iii) the accuracy and completeness in all material respects of all representations that ACI and the Seller make to Citibank and all information that ACI and the Seller furnish to Citibank; and (iv) the compliance by ACI and the Seller with the terms of the Engagement Documents, including without limitation, the payment in full of all fees, expenses and other amounts payable under the Engagement Documents. In addition, it is a condition of the Citi Commitment that the portion of the Facility not being provided by Citi shall be provided by the other Banks.

Section 2. Commitment Termination. The Citi Commitment and the Citi Agreements will terminate on the earliest of (i) June 15, 2009, unless ACI elects to terminate this Engagement Letter on or prior to May 29, 2009, (ii) the first date on which both (1) you shall have delivered to us a copy of an order in respect of each Case (the "**Approval Order**") that has been entered by the Bankruptcy Court and the court having jurisdiction over the Canadian Case (the "**Canadian Court**"), as applicable, and become effective, in form and substance reasonably satisfactory to us, authorizing (x) Abitibi Consolidated Sales Corporation, a Delaware corporation ("**ACSC**"), to cause the Seller to pay the fees and expenses payable by it set forth in the Engagement Documents with respect to the Facility, (y) to the extent applicable with respect to each Obligor, such Obligor to accept, and to incur its obligations under, the Engagement Documents with respect to the Facility and (z) the sale by ACI and ACSC of accounts receivable to the Seller free and clear of liens and (2) the definitive documentation evidencing the Facility shall have become effective, (iii) the date on which any of the US Cases shall have been dismissed or converted to proceedings under Chapter 7 of the Bankruptcy Code or a trustee or examiner shall have been appointed in any of the US Cases (or any comparable event with respect to ACI under the CCAA shall have occurred) and (iv) the date on which any of the conditions to the Citi Commitment and the Citi Agreements as outlined herein and in the Term Sheet shall have become incapable of being satisfied prior to the otherwise applicable expiration of the Citi Commitment and the Citi Agreements. Notwithstanding the foregoing, if the Approval Order shall at any time cease to be in full force and effect or shall be modified without the consent of Citibank or shall be reversed or stayed, in each case after the Approval Order is entered by the Bankruptcy Court, Citibank may, in its sole discretion, terminate the Citi Commitment and the Citi Agreements, without further obligation hereunder.

Section 3. Syndication. Citibank will commence syndication efforts promptly upon the execution of this Engagement Letter. Citibank will manage all aspects of the syndication in consultation with ACI, including the timing of all offers to potential Banks, the determination of the amounts offered to potential Banks, the acceptance of commitments of the Banks, the assignment of any titles and the compensation to be provided to the Banks (other than to the extent provided for below with respect to Barclays).

Each of ACI and the Seller will take all action as Citibank may reasonably request to assist Citibank in forming a syndicate acceptable to Citibank. Such assistance in forming such a syndicate will include, without limitation (i) making senior management and representatives of ACI or the Seller available to participate in information meetings with potential Banks and rating agencies at such times and places as Citibank may reasonably request; (ii) using ACI's and the Seller's best efforts to ensure that the syndication efforts benefit from the existing lending relationships of ACI and the Seller; (iii) assisting (including using its best efforts to cause its affiliates and advisors to assist) in the preparation of a confidential information memorandum for the Facility and other marketing and rating agency materials to be used in connection with syndication of the Facility; *provided*, that the recipients of confidential or otherwise non-public information shall agree to a customary confidentiality undertaking in form and substance acceptable to each of ACI, the Seller and Citibank; and (iv) promptly providing Citibank with all information reasonably deemed necessary by it to successfully complete the syndication of the Facility.

Each of ACI and the Seller acknowledges that (i) Citibank may make available any Information and Projections (each as defined in Section 9) (collectively, the "**Materials**") to potential Banks by posting Materials on IntraLinks, the Internet or another similar electronic system (the "**Platform**") and (ii) certain of the potential Banks may be public side Banks (i.e., Banks that do not wish to receive material non-public information with respect to ACI or its securities) (each, a "**Public Bank**"). ACI and the Seller agree that (A) at the request of Citibank, they will prepare a version of the information package and presentation to be provided to potential Banks that does not contain material non-public information concerning ACI, AbitibiBowater Inc. or the Seller or any of their respective securities for purposes of United States federal and state securities laws; (B) all Materials that are to be made available to Public Banks will be clearly and conspicuously marked "PUBLIC" which, at a minimum, will mean that the word "PUBLIC" will appear prominently on the first page thereof; (C) by marking Materials "PUBLIC," they will be deemed to have authorized Citibank and the proposed Banks to treat such Materials as not containing any material non-public information (although such Materials may be confidential or proprietary) with respect to ACI, AbititiBowater, Inc. or the Seller or their respective securities for purposes of United States federal and state securities laws; (D) all Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Bank," and (E) Citibank will be entitled to treat any Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Bank."

Subject to the following paragraph, (i) Citibank will act as the sole administrative agent and as sole lead arranger and bookrunner for the Facility, (ii) Citi will have "left" placement in all marketing materials and other documentation used in connection with the Facility and (iii) no additional agents, co-agents or arrangers will be appointed, no other titles awarded and no compensation (except as set forth in this Engagement Letter) will be paid, without the consent of Citibank.

Notwithstanding the preceding paragraph, ACI shall have the right to introduce Barclays Bank PLC ("**Barclays**") as a joint lead arranger for the Facility; *provided* that (i) Barclays shall commit to provide $50,000,000 of the Facility on the same terms and conditions as are applicable to the Citi Commitment, (ii) the compensation payable to Barclays for acting as joint lead arranger shall be in addition to, and shall not exceed on a net basis after credit, the Structuring Fee payable to Citibank under the Fee Letter, (iii) no other compensation, other than Participation Fees (as defined in the Fee Letter), shall be payable to Barclays without the consent of Citibank, (iv) Barclays shall have "right" placement in all marketing materials and other documentation used in connection with the Facility and (v) Citibank shall manage the syndication of the Facility with the prerogatives customarily exercised by the "lead left" arranger.

Section 4. <u>Non-Solicitation; Clear Market</u>. Upon the effectiveness of this Engagement Letter, ACI agrees that neither it nor any of its affiliates will, directly or indirectly, solicit a proposal or commitment from or otherwise permit or encourage another person to solicit, on behalf of ACI or its affiliates, a financing proposal from another lender or funding source regarding an alternative financing as a substitute to the Facility; *provided* that neither ACI nor its affiliates shall be restricted from engaging in discussions with, or receiving financing proposals from (a) any lender or funding source that contacts ACI or any of its affiliates on an unsolicited basis or (b) any lender or funding source in connection with any debtor-in-possession credit facility to be provided to ACI.

To ensure an effective syndication of the Facility, ACI agrees that until the earlier of June 15, 2009 and the termination of the syndication (as determined by Citibank), ACI will not, and will not permit any of its affiliates to, syndicate, or announce or authorize the announcement of the syndication of, any debt facility or debt security secured by inventory and/or accounts receivable (including any renewals thereof but excluding any debtor-in-possession credit facility to be provided to ACI), without the prior written consent of Citibank.

The agreements contained in this Section 4 shall terminate upon the termination of the Citi Commitment and the Citi Agreements pursuant to Section 2 hereof.

Section 5. **Fees**. As consideration for the services to be provided hereunder, the Seller will pay the non-refundable fees set forth in the letter agreement dated the date hereof (the "**Fee Letter**") between the Seller and Citibank. The terms of the Fee Letter are an integral part of the obligations of Citibank and Citi hereunder and constitute part of this Engagement Letter for all purposes hereof.

Section 6. **Indemnification**. ACI and the Seller will, jointly and severally, indemnify and hold harmless Citibank, each Bank and each of their respective affiliates and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "**Indemnified Party**") from and against any and all claims, damages, losses, liabilities and expenses (including without limitation, fees and disbursements of counsel), that may be incurred by or asserted or awarded against any Indemnified Party (including, without limitation, in connection with any investigation, litigation or proceeding or the preparation of a defense in connection therewith), in each case, arising out of or in connection with or by reason of this Engagement Letter or the Facility or the transactions contemplated hereby or thereby or any actual or proposed use of the proceeds of the Facility, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this paragraph applies, such indemnity will be effective whether or not such investigation, litigation or proceeding is brought by ACI, the Seller, any of their respective directors, security holders or creditors, an Indemnified Party or any other person or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated.

No Indemnified Party will have any liability (whether in contract, tort or otherwise) to ACI or any of its affiliates or any of their respective security holders or creditors for or in connection with the transactions contemplated hereby, except to the extent such liability is determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's gross negligence or willful misconduct. In no event, however, will any Indemnified Party be liable on any theory of liability for any special, indirect, consequential or punitive damages (including without limitation, any loss of profits, business or anticipated savings).

ACI and the Seller each acknowledge that information and other materials relative to the Facility and the transactions contemplated hereby may be transmitted through the Platform. No Indemnified Person will be liable to ACI, the Seller or any of their respective affiliates or any of their respective security holders or creditors for any damages arising from the use by unauthorized persons of information or other materials sent through the Platform that are intercepted by such persons.

Section 7. **Costs and Expenses**. ACI and the Seller will pay, or reimburse Citibank on demand for, all out-of-pocket costs and expenses incurred by it (whether incurred before or after the date hereof) in connection with the Facility and the preparation, negotiation, execution and delivery of this Engagement

Letter, including without limitation, the reasonable fees and expenses of counsel, regardless of whether any of the transactions contemplated hereby are consummated. ACI and the Seller will also pay all costs and expenses of Citibank (including without limitation, the reasonable fees and disbursements of counsel) incurred in connection with the enforcement of any of its rights and remedies under this Engagement Letter.

Section 8. **Confidentiality**. By accepting delivery of this Engagement Letter, ACI and the Seller agree that this Engagement Letter is for their confidential use only and that neither its existence nor its terms will be disclosed to any person other than ACI's and the Seller's affiliates and their respective officers, directors, employees, advisors, agents and representatives (the "**Representatives**"), and then only on a confidential and "need to know" basis in connection with the transactions contemplated hereby; *provided, however*, that ACI and the Seller may make such public disclosure of the terms and conditions hereof as is required to obtain the Approval Order (including filing of the Engagement Letter with the Bankruptcy Court and the Canadian Court and the disclosure of the Engagement Letter to the Office of the United States Trustee, any official committee of creditors appointed in the Bankruptcy Case and the monitor appointed in the Canadian Case) or is required by law, in the opinion of ACI's counsel, to make. Notwithstanding any other provision in this Engagement Letter, Citibank hereby confirms that ACI and Representatives will not be limited from disclosing the U.S. tax treatment or U.S. tax structure of the Facility.

Section 9. **Representations and Warranties**. Each of ACI and the Seller represents and warrants that (i) all information, other than Projections (as defined below), that has been or will hereafter be made available to Citibank, any Bank or any potential Bank by ACI or any Representatives in connection with the transactions contemplated hereby (the "**Information**") is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made and (ii) all financial projections, if any, that have been or will be prepared by ACI or any Representatives and made available to Citibank, any Bank or any potential Bank (the "**Projections**") have been or will be prepared in good faith based upon assumptions that are or were reasonable as of the date of the preparation of such Projections (it being understood that the Projections are subject to significant uncertainties and contingencies, many of which are beyond ACI's control, and that no assurance can be given that the Projections will be realized). If, at any time from the date hereof until the termination of this Engagement Letter, any of the representations and warranties in the preceding sentence would not be accurate and complete in any material respect if the Information or Projections were being furnished, and such representations and warranties were being made, at such time, then ACI agrees to promptly supplement the Information and/or Projections from time to time so that the representations and warranties contained in this paragraph remain accurate and complete in all material respects under those circumstances.

In providing this Engagement Letter and in arranging the Facility, Citibank is relying on the accuracy of the Information furnished to it by or on behalf of ACI or any Representatives without independent verification thereof.

Section 10. **No Third Party Reliance, Not a Fiduciary, Etc**. The agreements of Citibank and Citi hereunder and of any Bank that issues a commitment to provide financing under the Facility are made solely for the benefit of ACI, the Seller and (solely in the case of commitments by Banks to provide financing) ACSC and may not be relied upon or enforced by any other person. Please note that those matters that are not covered or made clear herein are subject to mutual agreement of the parties. Neither ACI nor the Seller may assign or delegate any of their rights or obligations hereunder without Citibank's prior written consent. This Engagement Letter may not be amended or modified, or any provision hereof waived, except by a written agreement signed by all parties hereto.

ACI and the Seller each hereby acknowledge that Citibank is acting pursuant to a contractual relationship on an arm's length basis, and the parties hereto do not intend that Citibank act or be responsible as a fiduciary to ACI, the Seller, their respective management, stockholders or creditors or any other person. Each of ACI, the Seller and Citibank hereby expressly disclaims any fiduciary relationship and agrees they are each responsible for making their own independent judgments with respect to any transactions entered into between them. Each of ACI and the Seller also hereby acknowledge that Citibank has not advised and is not advising either of them as to any legal, accounting, regulatory or tax matters, and that they are each consulting their own advisors concerning such matters to the extent deemed appropriate.

ACI and the Seller understand that Citibank and its affiliates (collectively, the "**Group**") are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research). Members of the Group and businesses within the Group generally act independently of each other, both for their own account and for the account of clients. Accordingly, there may be situations where parts of the Group and/or their clients either now have or may in the future have interests, or take actions, that may conflict with the interests of ACI and the Seller. For example, the Group may, in the ordinary course of business, engage in trading in financial products or undertake other investment businesses for their own account or on behalf of other clients, including without limitation, trading in or holding long, short or derivative positions in securities, loans or other financial products of ACI or its affiliates or other entities connected with the Facility or the transactions contemplated hereby.

In recognition of the foregoing, ACI and the Seller each agree that the Group is not required to restrict its activities as a result of this Engagement Letter and that the Group may undertake any business activity without further consultation with or notification to either of them. Neither this Engagement Letter nor the receipt by Citibank or Citi of confidential information nor any other matter will give rise to any fiduciary, equitable or contractual duties (including without limitation, any duty of trust or confidence) that would prevent or restrict the Group from acting on behalf of other customers or for its own account. Furthermore, each of ACI and the Seller agree that neither the Group nor any member or business of the Group is under a duty to disclose to it or use on their behalf any information whatsoever about or derived from those activities or to account for any revenue or profits obtained in connection with such activities. However, consistent with the Group's long-standing policy to hold in confidence the affairs of its customers, the Group will not use confidential information obtained from ACI or the Seller except in connection with its services to, and its relationship with, ACI and the Seller, *provided however*, that the Group will be free to disclose information in any manner as required by law, regulation, regulatory authority or other applicable judicial or government order.

Section 11. Governing Law, Etc. This Engagement Letter will be governed by, and construed in accordance with, the law of the State of New York. This Engagement Letter sets forth the entire agreement between the parties with respect to the matters addressed herein and supersedes all prior communications, written or oral, with respect hereto. This Engagement Letter may be executed in any number of counterparts, each of which, when so executed, will be deemed to be an original and all of which, taken together, will constitute one and the same Engagement Letter. Delivery of an executed counterpart of a signature page to this Engagement Letter by telecopier or electronic transmission (e.g., "pdf" or "tiff") will be as effective as delivery of an original executed counterpart of this Engagement Letter.

Section 12. Waiver of Jury Trial. Each party hereto irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Engagement Letter or the transactions contemplated hereby or the actions of the parties hereto in the negotiation, performance or enforcement hereof.

Section 13. Consent to Jurisdiction, Etc. Each of ACI and the Seller irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any New York State or Federal court located in the City of New York and the United States Bankruptcy Court for the District of Delaware over any suit, action or proceeding arising out of or relating to this Engagement Letter, (ii) accepts for itself and in respect of its property the jurisdiction of such courts, (iii) waives any objection to the laying of venue of any such suit, action or proceeding brought in any such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum and (iv) consents to the service of any process, summons, notice or document in any such suit, action or proceeding by registered mail addressed to ACI or the Seller (as applicable) at its address specified on the first page of this Engagement Letter. A final judgment in any such suit, action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein will affect Citibank's right to serve legal process in any other manner permitted by law or affect Citibank's right to bring any suit, action or proceeding against ACI or the Seller or their property in the courts of other jurisdictions. To the extent that ACI or the Seller has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each of ACI and the Seller irrevocably waives such immunity in respect of its obligations under this Engagement Letter.

Section 14. **Patriot Act Compliance**. Citibank hereby notifies the Seller that pursuant to the requirements of the USA PATRIOT ACT (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**Patriot Act**"), it is required to obtain, verify and record information that identifies the Seller, which information includes the name and address of the Seller and other information that will allow Citibank to identify the Seller in accordance with the Patriot Act. In that connection, Citibank may also request corporate formation documents, or other forms of identification, to verify information provided.

Section 15. **Effectiveness of ACI's Obligations**. With the exception of ACI's obligations under Section 4 hereof, the obligations of ACI pursuant to this Engagement Letter shall be subject to the approval by the Quebec Superior Court, Commercial Division.

[*Remainder of this Page Intentionally Left Blank*]

Please indicate your acceptance of the provisions hereof by signing the enclosed copy of this Engagement Letter and the Fee Letter and returning them to Citibank, N.A., 390 Greenwich Street, New York, New York 10013 (fax: 646-291-1029) at or before 5:00 p.m. (New York City time) on May 18, 2009, the time at which the obligations of Citibank and Citi hereunder (if not so accepted prior thereto) will terminate. If you elect to deliver this Engagement Letter by telecopier, please arrange for the executed original to follow by next-day courier.

Very truly yours,

CITIBANK, N.A.

By ______________________
Name: DAVID DAJANTE
Title: ~~Authorized Signatory~~ DIRECTOR/VP

ACCEPTED AND AGREED
on __________, ____;

ABITIBI-CONSOLIDATED INC.

By ______________________
Name:
Title:

ABITIBI-CONSOLIDATED U.S. FUNDING CORP.

By ______________________
Name:
Title:

Please indicate your acceptance of the provisions hereof by signing the enclosed copy of this Engagement Letter and the Fee Letter and returning them to Citibank, N.A., 390 Greenwich Street, New York, New York 10013 (fax: 646-291-1029) at or before 5:00 p.m. (New York City time) on May 18, 2009, the time at which the obligations of Citibank and Citi hereunder (if not so accepted prior thereto) will terminate. If you elect to deliver this Engagement Letter by telecopier, please arrange for the executed original to follow by next-day courier.

Very truly yours,

CITIBANK, N.A.

By________________________
Name:
Title: Authorized Signatory

ACCEPTED AND AGREED
on __________, ____:

ABITIBI-CONSOLIDATED INC.

By________________________
Name: ALLEN DEA
Title:

ABITIBI-CONSOLIDATED U.S. FUNDING CORP.

By________________________
Name: ALLEN DEA
Title:

CONFIDENTIAL

$300 MILLION GUARANTEED RECEIVABLES PURCHASE PROGRAM (THE "FACILITY")
SUMMARY OF TERMS AND CONDITIONS[1]

Seller:	Abitibi-Consolidated U.S. Funding Corp., a Delaware corporation (the "**Seller**").
Originators:	Abitibi-Consolidated Inc., a Canadian corporation ("**ACI**"), and Abitibi Consolidated Sales Corporation, a Delaware corporation ("**ACSC**"). ACI is a debtor company in a proceeding (the "**Canadian Case**") under the Companies' Creditors Arrangement Act (the "**CCAA**").
Guarantors:	Donohue Corp., a Delaware corporation ("**Donohue**"), ACSC and each of the other direct and indirect wholly-owned subsidiaries of Donohue other than the Seller that is a debtor and a debtor-in-possession in proceedings (the "**US Cases**" and, together with the Canadian Case, the "**Cases**") under chapter 11 of the United States Bankruptcy Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"). The entities described in the preceding paragraph are referred to herein as the "**Guarantors**". All obligations of the Seller in respect of the Termination Amount (as defined below) will be unconditionally guaranteed by the Guarantors. The Seller, ACI and the Guarantors are referred to herein, collectively, as the "**Obligors**" and each as an "**Obligor**". As used herein, "**Abitibi Entities**" means, collectively, ACI, Donohue and their respective subsidiaries.
Termination Amount:	On the Termination Date (as defined below), the Seller shall become immediately and unconditionally obligated to pay to the Banks the sum of all Capital, accrued Yield and Fees and any other amounts then payable by the Seller to the Banks or the Agent under any of the Facility Documents and any other documents delivered in connection therewith (collectively, the "**Termination Amount**'). Upon the payment in full by the Seller of the Termination Amount, all additional Collections with respect to the Receivable

[1] Capitalized terms used but not defined herein have the meanings set forth in the Seller's existing accounts receivable securitization facility (the "**Existing Securitization Facility**").

Interests shall be paid to the Seller for its own account.

Administrative Agent:	Citibank, N.A. (in such capacity, the "**Administrative Agent**").
Joint Lead Arrangers and Joint Book Runners:	Citibank, N.A. (in such capacity, the "**Lead Arranger**") and Barclays Capital Inc. (together with the Lead Arranger in such capacity, the "**Arrangers**").
Syndication Agent:	Barclays Capital Inc.
Purchasers:	Each of the Arrangers (or any of their respective affiliates) and other financial institutions or entities acceptable to the Lead Arranger (the "**Banks**").
Purchase Limit:	$300,000,000
Termination Date:	The "**Termination Date**" shall be the earliest of (a) the date that is 364 days after the Closing Date (the "**Stated Termination Date**"), (b) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in any of the Guarantors' Cases that is confirmed pursuant to an order entered by the Bankruptcy Court (or a corresponding order shall be entered in the Canadian Court) and (c) the declaration of the Facility Termination Date following an Event of Termination under the Facility Documents (as defined below) (or automatic occurrence of the Facility Termination Date upon an event of termination triggered by the Seller's bankruptcy).
Fifteen Month Facility Extension Option:	The Seller may extend the Stated Termination Date from 364 days to 15 months upon satisfaction of the following conditions prior to the date that is 364 days after the Closing Date: 1. The Seller shall have provided written notice to the Administrative Agent not more than 60 nor less than 30 days prior to the date that is 364 days after the Closing Date of its intention to exercise the Fifteen Month Facility Extension Option. 2. The Seller shall have paid a fee to the Administrative Agent, for the account of the Banks on a ratable basis, equal to 1.0% of the then applicable Purchase Limit under the Facility immediately prior to giving effect to the extension. 3. The Guarantors and ACI shall have filed with the

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Bankruptcy Court and the court having jurisdiction over the Canadian Case (the "**Canadian Court**"), respectively, a plan of reorganization (as the same may be amended from time to time, the "**Reorganization Plan**") providing for the full repayment of the Capital and all other amounts then due by the Seller under the Facility in cash upon consummation thereof.

4. Liquidity of the Abitibi Entities shall be not less than $150 million.

5. No incipient Event of Termination or Event of Termination shall have occurred and be continuing.

6. Accuracy of representations.

Eighteen Month Facility Extension Option:

Following the exercise and effectiveness of the Fifteen Month Facility Extension Option, the Seller may extend the Stated Termination Date from 15 months to 18 months upon satisfaction of the following conditions prior to the date that is 15 months after the Closing Date:

1. The Seller shall have provided written notice to the Administrative Agent not more than 60 nor less than 30 days prior to the date that is 15 months after the Closing Date of its intention to exercise the Eighteen Month Facility Extension Option.

2. The Seller shall have paid a fee to the Administrative Agent, for the account of the Banks on a ratable basis, equal to 1.0% of the then applicable Purchase Limit under the Facility immediately prior to giving effect to the extension.

3. The Guarantors and ACI shall not have withdrawn the Reorganization Plan, and confirmation of the Reorganization Plan shall not have been denied by the Bankruptcy Court or the Canadian Court, as applicable.

4. Liquidity of the Abitibi Entities shall be not less than $150 million.

5. No incipient Event of Termination or Event of Termination shall have occurred and be continuing.

6. Accuracy of representations.

7. The Majority Banks shall have approved the

extension of the Stated Termination Date to the date that is 18 months after the Closing Date.

Facility Documents:

The Facility will be documented by (A) an assignment to the Administrative Agent of (i) the Amended and Restated Receivables Purchase Agreement with respect to the Existing Securitization Facility (the "**Existing RPA**") and (ii) all other Transaction Documents (as necessary or desirable in the reasonable determination of the Administrative Agent), (B) an amendment and restatement of the Existing RPA, (C) an amendment and restatement of the Originator Purchase Agreement and (D) the entry into a Guaranty and Undertaking Agreement and any other relevant documentation (the foregoing, collectively, the "**Facility Documents**") reflecting the terms and provisions set forth in this term sheet and otherwise in form and substance satisfactory to the Arrangers and the Seller.

Voluntary Reductions of Purchase Limit:

The Seller may, upon at least 5 business days' notice, reduce in full or in part, without premium or penalty, the unused portion of the Purchase Limit; *provided* that each such partial reduction shall be in an aggregate amount of $1,000,000 or an integral multiple thereof.

Yield and Fees:

As set forth on Annex A attached hereto.

Availability:

Availability to the Seller under the Facility will be equal to (i) the lesser of (A) the Collateral Availability (as defined below) and (B) the then effective Purchase Limit under the Facility minus (ii) the aggregate amount of the outstanding Capital.

"**Collateral Availability**" shall mean (v) up to 85% of the eligible accounts receivable of the Seller minus (w) such availability reserves as the Administrative Agent, in its reasonable judgment, deems appropriate and consistent with standards for similar asset-based financings taking into account current market conditions minus (x) an availability block equal to the greater of (i) $30 million and (ii) 8% of the gross accounts receivable of the Seller minus (y) reserves for insurance deductibles minus (z) reserves for foreign currency exchange; *provided* that the methodology for deriving Collateral Availability will not be materially different than that reflected in the spreadsheet furnished by the Administrative Agent to the Seller on April 30, 2009 (the "**Spreadsheet**").

Eligibility:

Eligibility of accounts receivable for purposes of computing "Collateral Availability" will be determined by the Administrative Agent in accordance with criteria

	substantially similar to those contained in the Administrative Agent's credit agreements for similar asset-based transactions; *provided* that the eligibility criteria will not be materially different than the criteria reflected in the Spreadsheet. The Administrative Agent shall have the right to conduct field audits and examinations of receivables on a quarterly basis or, upon the occurrence and continuance of an event of default or upon any significant decrease in the liquidity of the Abitibi Entities (with a threshold to be agreed), the Administrative Agent shall have the right to conduct such field audits and examinations at any time, at the reasonable request of the Administrative Agent.
Servicer:	ACSC.
Subservicer:	ACI.
Receivables Reports:	Substantially as set forth in the Existing Securitization Facility.
Settlement Procedures; Collections; Collection Accounts; Application of Collections:	Substantially as set forth in the Existing Securitization Facility, as modified to reflect the obligations of the Seller and the Guarantors in respect of the Termination Amount.
Security and Priority:	All amounts owing by the Seller under the Facility (including in respect of Yield, Capital, fees or expenses or otherwise) will be secured by a first priority perfected security interest in all assets of the Seller (the "**Collateral**"). In the US Cases, the Banks will be granted in the Orders a superpriority administrative claim under Section 364(c)(1) of the Bankruptcy Code for the payment of the obligations of the Guarantors under the Facility with priority above all other administrative claims (other than any superpriority claims in respect of adequate protection provided to the lenders under Abitibi-Consolidated Company of Canada's prepetition secured credit and guaranty agreement having priority pursuant to Section 507(b) of the Bankruptcy Code (the "**Abitibi Adequate Protection Claims**")), subject to the Carve-Out.[2] Notwithstanding the foregoing, any superpriority claim shall not be satisfied from avoidance actions of the Guarantors arising under the Bankruptcy Code or the

[2] Carve-Out to be consistent with that agreed to in respect of the continuation of the Existing Securitization Facility and, for the avoidance of doubt, shall not extend to any assets of the Seller.

proceeds thereof, except to the extent of any amounts paid out under the Carve-Out.

In the Canadian Case of ACI, an order of the Canadian Court shall be entered directing ACI to perform and pay its obligations under the Facility.

Court Orders; Intercreditor Issues:

Interim orders (collectively, the "**Interim Order**") and final orders (collectively, the "**Final Order**") of the Bankruptcy Court and an amendment to the initial order of the Canadian Court (the "**Amended Initial Order**"), in substantially the form set forth as an exhibit to the Facility Documents (collectively, the "**Orders**"), shall be obtained directing ACI to perform and pay its obligation under the Facility referred to under the heading "Security and Priority" above and authorizing and approving (x) the making of the purchases by the Banks, the guarantees by the Guarantors and the granting of the superpriority claims and (y) providing, among other things, that (i) the sale of receivables by ACI and ACSC to the Seller shall be a true sale, free and clear of any liens, claims, charges, encumbrances or other interests, (ii) ACSC shall cause the Seller to grant the first priority liens on the Collateral, (iii) the Banks shall have the right to enforce against the Collateral in accordance with the Facility Documents, (iv) non-material modifications of the Facility Documents shall be permitted without further court hearing or order, subject to prior notice to the monitor in the Canadian Case and any official creditor's committee in the US Cases and (v) the performance by the Originators and the Seller of their obligations under the Facility Documents and the conduct of their respective businesses shall not provide a basis for substantive consolidation.

Conditions Precedent to the Assignment:

The Facility Documents will contain conditions to the assignment of the Facility Documents (the date of such assignment, the "**Closing Date**") under the Facility customarily found in the Administrative Agent's agreements for similar financings and other conditions deemed by the Administrative Agent to be appropriate to the specific transaction and in any event including without limitation:

A. All documentation relating to the Facility shall be in form and substance consistent with this term sheet and otherwise reasonably satisfactory to the Administrative Agent, its counsel and the initial Banks.

B. Each of the Guarantors shall be a debtor and a debtor-in-possession under the Bankruptcy Code and ACI shall be a debtor company in the Canadian Case.

C. The Administrative Agent shall have received signed copies of the Interim Order and the Amended Initial Order, which Interim Order and Amended Initial Order shall not have been vacated, reversed, modified, amended or stayed.

D. All reasonable and documented out-of-pocket fees and expenses (including reasonable fees and expenses of outside counsel, financial advisors and field examinations) required to be paid to the Administrative Agent and the Banks on or before the Closing Date shall have been paid.

E. The Banks shall have received and be satisfied with (i) the audited annual consolidated financial statements of AbitibiBowater Inc. for the year ended December 31, 2008, (ii) interim unaudited quarterly combined financial statements of the Abitibi Entities for each fiscal quarter completed since the date of the last audited financial statements and ending at least 50 days prior to the Closing Date and (iii) monthly projections, weekly forecasts for 13 weeks after the Closing Date and a business plan prepared by management.

F. The Administrative Agent shall be satisfied in its reasonable judgment that there shall not occur as a result of, and after giving effect to, the assignment of the Facility, a default (or any event which with the giving of notice or lapse of time or both would be a default) under (i) any of the debt instruments or other material agreements of the Seller or (ii) any of the post-petition debt instruments or other material post-petition agreements of any of the other Abitibi Entities that would permit the counterparty thereto to exercise remedies thereunder on a post-petition basis.

G. [Reserved].

H. The Banks shall have received reasonably satisfactory opinions of independent counsel to the Seller and the Guarantors, addressing such matters as the Banks shall reasonably request, including, without limitation, the enforceability of all Facility Documents, compliance with all laws and regulations, the perfection of all sales of receivables and all security interests purported to be granted and no conflicts with material agreements.

I. The absence of a material adverse change, or any event or occurrence, other than the commencement of the Cases, which could reasonably be expected to result in a material adverse change, in (i) the business, financial condition, operations, prospects or properties of the Abitibi Entities, taken as a whole, since December 31, 2008[3] (except as publicly disclosed by the Seller, the Guarantors, or any of their affiliates (including, without limitation, AbitibiBowater Inc.) or as otherwise disclosed in writing to the Administrative Agent), (ii) the ability of the Seller or the Guarantors to perform their respective obligations under the Facility Documents or (iii) the ability of the Administrative Agent and the Banks to enforce the Facility Documents (any of the foregoing being a "**Material Adverse Change**").

J. There shall exist no (or, in the case of any Abitibi Entity other than the Seller, no unstayed) action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality (other than the Cases) that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions upon the Facility or the transactions contemplated thereby.

K. All necessary governmental and third party consents and approvals necessary in connection with the Facility and the transactions contemplated thereby shall have been obtained (without the imposition of any adverse conditions that are not reasonably acceptable to the Banks) and shall remain in effect; and no law or regulation shall be applicable in the judgment of the Banks that restrains, prevents or imposes materially adverse conditions upon the Facility or the transactions contemplated thereby.

L. The Banks shall have received "know your customer" and similar information and shall have been given such access to the management, records, books of account, contracts, and properties of the Abitibi Entities and shall have received such financial, business, legal and other information regarding the Abitibi Entities as the Banks shall have requested.

[3] Audited 2008 financial statements of AbitibiBowater Inc. to be delivered prior to closing.

M. The Banks shall have a valid and, upon filing of the applicable financing statements (or any required amendments to the financing statements filed in connection with the Existing Securitization Facility), perfected first priority lien on and security interest in the Collateral; all filings, recordations and searches necessary or desirable in connection with such liens and security interests and in connection with the sale of receivables shall have been duly made; and all filing and recording fees and taxes shall have been duly paid.

N. ACI's existing credit insurance programs (the "**Credit Insurance Programs**") with Export Development Canada and COFACE shall continue to be in effect.

Conditions Precedent to Each Purchase:

On the date of each purchase (i) there shall exist no default under the Facility Documents, (ii) the representations and warranties of the Seller and each Guarantor therein shall be true and correct immediately prior to, and after giving effect to, such funding, (iii) the making of such purchase shall not violate any requirement of law and shall not be enjoined, temporarily, preliminarily or permanently and (iv) the Interim Order, the Final Order or the Amended Initial Order (as applicable) shall be in full force and effect and shall not have been vacated, reversed, modified, amended or stayed in any respect without the consent (not to be unreasonably withheld or delayed) of the Administrative Agent.

Representations and Warranties:

The Facility Documents will contain representations and warranties of the Seller, ACI and ACSC substantially the same as those contained in the Existing Securitization Facility, and other representations of the Obligors (subject to materiality thresholds and carveouts to be agreed) including, without limitation with respect to: valid existence, compliance with law, requisite power, due authorization, approvals, no conflict with agreements or applicable law, enforceability of the Facility Documents, no subsidiaries, no business other than purchase of receivables, deposit and lockbox accounts, material accuracy of financial statements and all other information provided, absence of Material Adverse Change, absence of material adverse litigation, taxes, margin regulations, ownership of Collateral, no default under material agreements or the Facility Documents, inapplicability of Investment Company Act, use of proceeds, labor matters, ERISA and other pension plan matters, environmental matters and security interests in Collateral.

Affirmative Covenants:

The Facility Documents will contain affirmative covenants substantially the same as those contained in the Existing

Securitization Facility, and other affirmative covenants (which shall be applicable to the Abitibi Entities) (subject, where customary, to materiality thresholds and carveouts to be agreed), including, without limitation, the following:

A. Preservation of corporate existence.

B. Compliance with laws (including ERISA and other pension plan matters and applicable environmental laws) and material provisions of contracts relating to accounts receivable.

C. Conduct of business.

D. Deposits to lockboxes and deposit account (in the case of ACI, ACSC and the Seller).

E. Separateness of the Seller.

F. Payment of obligations and taxes.

G. Maintenance of insurance.

H. Access to books and records and visitation rights.

I. Quarterly update calls with Banks.

J. Maintenance of books and records.

K. Use of proceeds.

L. Provision of additional guarantees (from any future wholly-owned subsidiaries of Donohue).

M. Further assurances.

N. Maintenance of the deposit and concentration account and lockbox arrangements as are in effect under the Existing Securitization Facility.

O. Maintenance of Credit Insurance Programs.

P. Use of commercially reasonable efforts to obtain credit ratings in respect of the Facility from Standard & Poor's and at least one other nationally recognized statistical rating organization within 30 days after the Closing Date.

Negative Covenants: The Facility Documents will contain negative covenants substantially the same as those contained in the Existing

Securitization Facility and other negative covenants (which shall be applicable to the Abitibi Entities) (subject, where customary, to materiality thresholds and carveouts to be agreed), including, without limitation, the following:

A. Limitations on debt and guarantees (including, for the avoidance of doubt, a prohibition on additional debt or guarantees of the Seller); *provided* that:

- Intercompany advances among the Abitibi Entities (other than the Seller) shall be permitted, *provided* that any such Indebtedness of an Obligor shall be subordinated to the obligations under the Facility, except to the extent that an order of the Canadian Court provides for any Indebtedness to a Guarantor to be subject to a court ordered charge;

- Letters of credit of the Abitibi Entities (other than the Seller) in an amount of up to $135 million shall be permitted;

- Debt of Bridgewater Paper Company Limited and its subsidiaries shall be permitted up to a maximum amount to be agreed; and

- Up to $250 million of debt in respect of a postpetition secured credit facility of ACI or any of its subsidiaries shall be permitted (the "**ACI DIP Facility**").

B. Limitation on liens (including, for the avoidance of doubt, a prohibition on liens on the Collateral); *provided* that (x) liens on assets of ACI or any of its subsidiaries securing the ACI DIP Facility shall be permitted and (y) liens in favor of any Abitibi Entity granted pursuant to any order of the Canadian Court in effect on the Closing Date shall be permitted.

C. Limitations on investments.

D. Limitations on mergers, amalgamations, consolidations, acquisitions, joint ventures, creation of subsidiaries and asset dispositions, including, without limitation, the issuance and sale of capital stock of subsidiaries; *provided* that

- the sale of Lufkin, Manicouagan Power Company, ACH Limited Partnership, timberlands shall be permitted;

- dispositions of other assets (other than Collateral) in an aggregate amount not to exceed $100 million shall be permitted; and

- the Seller may not engage in any such transactions.

E. Limitations on cancellation of debt and on prepayments, redemptions and repurchases of pre-petition debt and junior indebtedness, except as authorized under (x) the "first day orders" in the US Cases or under the Initial Order in the Canadian Case, or (y) other orders entered by the Bankruptcy Court or the Canadian Court or action by, or approved by, the monitor with notice to the Administrative Agent; *provided* that any debt secured by a permitted lien on an asset that is disposed of in a permitted transaction may be prepaid with the proceeds of such disposition.

F. Separateness of Seller

G. Limitations on restricted payments.

H. Prohibition on material changes in business.

I. Limitation on transactions with affiliates; *provided* that ordinary course transactions with affiliates on arm's-length terms shall be permitted.

J. Limitations on (i) changes to credit and collection policy, (ii) changes in payment instructions to receivables obligors and (iii) extensions or amendments to accounts receivable.

K. Limitation on changes in fiscal year without the Administrative Agent's consent.

L. Limitations on amendment of constituent documents.

M. Prohibition on actions that would void coverage under the Credit Insurance Programs.

Selected Financial Covenants:

The Facility Documents will contain the following financial covenants (which will be applicable to the Abitibi Entities) at levels to be determined:

A. Minimum EBITDAR; *provided* that the Minimum EBITDAR covenant (x) shall not be applicable at any date so long as (i) Liquidity is at least $100 million on a daily average basis for the most recent four-week reporting period ending on or prior to such date and (ii)

Liquidity is at least $75 million on such date and (y) shall not be applicable prior to August 20, 2009. The Minimum EBITDAR test shall be based on cumulative quarterly EBITDAR, commencing with the second quarter of 2009. The compliance level will build on the basis of $45 million per quarter up to $180 million for a four-quarter test.

B. Liquidity not to be less than (x) $25 million at any date on or after the Closing Date or (z) $50 million on a daily average basis for any four-week period beginning on or after the Closing Date (reported weekly).

C. Maximum Capital Expenditures.

Financial Reporting Requirements:

ACI shall provide, in each case with respect to the Abitibi Entities, combined: (i) monthly financial statements, including balance sheet, income statement and cash flow statement, within 30 days of month-end, certified by an authorized financial officer of ACI; (ii) quarterly financial statements, including balance sheet, income statement and cash flow statement, within 50 days of quarter-end for the first 3 fiscal quarters of the fiscal year, certified by an authorized financial officer of ACI; (iii) annual audited financial statements within 105 days of year-end, certified by independent certified public accountants acceptable to the Administrative Agent; and (iv) rolling 13-week cash flow projections, within 5 days of the end of each week. In addition, as soon as available but not later than June 30, 2009, ACI shall provide the audited annual combined financial statements for the Abitibi Entities for the year ended December 31, 2008.

In addition, ACI shall provide copies of all reports on Form 10-K, 10-Q, 8-K, 6-K or 20-F filed by AbitibiBowater Inc., ACI or any of their subsidiaries with the Securities and Exchange Commission, the Ontario Securities Commission, the Autorité des marchés financiers (Québec) or any other governmental or private regulatory authority; *provided*, that such reports shall be deemed to have been provided to the extent they have been filed with the Securities and Exchange Commission and/or posted to a website specified by ACI.

The Seller shall provide (i) monthly financial statements, including balance sheet, income statement and cash flow statement, within 30 days of month-end, certified by the treasurer or assistant treasurer of the Seller and (ii) without duplication, financial and other reports substantially the same as those it provides under the Existing Securitization

Facility.

Other Reporting Requirements: The Facility Documents will contain other reporting requirements, including, without limitation, with respect to defaults under the Facility Documents, litigation, contingent liabilities, ERISA, pension plan or environmental events, advance notice of changes in the Seller's jurisdiction of organization, notices with respect to the Credit Insurance Programs and quarterly and annual no default certifications, at such times and in form and substance as is reasonably satisfactory to the Administrative Agent.

Events of Termination: The Facility Documents will contain Events of Termination substantially the same as those contained in the Existing Securitization Facility, and other Events of Termination, including without limitation, the following (with, where appropriate, customary grace periods and exceptions to be determined):

A. Failure by the Seller to make payments required under the RPA

B. Servicer Defaults

C. Representations and warranties incorrect in any material respect when made.

D. Failure to comply with covenants (with grace period as appropriate for affirmative covenants).

E. Cross-default to material post-petition indebtedness of the Abitibi Entities that would permit exercise of post-petition remedies.

F. Failure to satisfy or stay execution of material judgments.

G. The occurrence of certain ERISA events (and comparable Canadian pension events) that result in liabilities in excess of a threshold to be agreed.

H. Actual or asserted invalidity or impairment of any Facility Document (including the failure of any lien to remain perfected).

I. Change of ownership or control (to be defined).

J. Insolvency events with respect to the Seller.

K. (a) The entry of an order dismissing any of the US Cases or converting any of the US Cases to a case under chapter 7 of the Bankruptcy Code or terminating the Canadian Case or converting the Canadian Case to a proceeding under the Bankruptcy and Insolvency Act (Canada); (b) the entry of an order appointing a chapter 11 trustee in any of the US Cases or in the chapter 11 case of AbitibiBowater Inc., (c) any trustee in bankruptcy, receiver, interim receiver or other official with similar powers shall be appointed with respect to ACI or its assets; (d) the entry of an order staying, reversing, vacating or otherwise modifying, in each case in a manner adverse to the Banks and without the prior consent of the Banks, the Facility or any of the Orders; (e) the entry of an order in any of the US Cases appointing an examiner having expanded powers (beyond those set forth under Sections 1106(a)(3) and (4) of the Bankruptcy Code); (f) the filing of any pleading by any Abitibi Entity seeking, or otherwise consenting to, any of the matters set forth in clauses (a) through (e) above; (g) the filing of a plan of reorganization, compromise or arrangement that does not provide for the indefeasible payment in full upon confirmation in cash of all obligations owed to the Banks; (h) the entry of a final non-appealable order in any of the Cases charging any of the Collateral under Section 506(c) of the Bankruptcy Code against the Banks (or the filing of any pleading by any Abitibi Entity in any of the Cases seeking such an order, (i) the commencement by any Abitibi Entity of any other action in any of the Cases materially adverse to the Banks or their respective rights and remedies under the Facility or their interest in the Collateral, except to the extent integral to any transaction permitted under the Facility Documents; (j) the entry of an order granting relief from any stay of proceeding (including, without limitation, the automatic stay) so as to allow a third party to proceed against any material assets of the Abitibi Entities; or (k) the existence of any claims or charges, other than in respect of the Facility and the Abitibi Adequate Protection Claims, entitled to superpriority under Section 364(c)(1) of the Bankruptcy Code or of any senior or pari passu claims or charges other than those authorized by the initial order of the Canadian Court as in effect on the Closing Date.

L. The making of any payments in respect of pre-petition indebtedness, except as authorized under (x) the "first day orders" in the US Cases or under the Initial Order in the Canadian Case or (y) or other orders entered by the Bankruptcy Court or the Canadian Court with the consent of (or without the objection by) the Administrâtive Agent (acting at the direction of the Majority Banks), or to the extent specifically permitted in accordance with the proviso to paragraph E of "Negative Covenants".

M. Termination of the Credit Insurance Programs.

N. The Final Order shall not have been entered within 30 days (or such longer period, not to exceed 60 days, as may be approved by the Administrative Agent) following the entry of the Interim Order.

Expenses and Indemnification:	The Seller shall pay (i) all reasonable out-of-pocket expenses incurred by the Agent, including the reasonable fees, charges and disbursements of Davis Polk & Wardwell, special counsel for the Agent and any local counsel retained by the Lead Arranger, in connection with the syndication of the Facility, the preparation and administration of the Facility Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Agent or any Bank, including the fees, charges and disbursements of any counsel for the Agent or any Bank, in connection with the enforcement or protection of its rights in connection with any Facility Document, or in connection with the Receivable Interests, including all such out-of-pocket expenses incurred during any workout or restructuring in respect of such Receivable Interests.
Assignments and Participations:	Each Bank will be permitted to assign all or a portion of its rights and obligations under the RPA (including, without limitation, all or a portion of its Bank Commitment and any Receivable Interests or interests therein owned by it) to any other Bank or any of its affiliates, any other person managed by a Bank or any of its affiliates or any other financial or other institution acceptable to the Administrative Agent and approved by the Seller; *provided*, that (x) each such assignment shall be in a minimum of $5,000,000 and (y) approval by the Seller shall not be required if an incipient Event of Termination or an Event of Termination shall have occurred and be continuing. The Banks will be permitted to sell participations in all or a portion of its rights and obligations under the RPA without restriction.

Majority Banks:	Banks holding more than 50% of the Purchase Limit (the "**Majority Banks**").
Amendments:	Amendments and waivers of the Transaction Documents will require the approval of the Majority Banks (except for provisions customarily requiring approval by all affected Banks); *provided* that amendments and waivers to the definition of "Collateral Availability" (or the components thereof) or "Net Receivables Pool Balance" (or the components thereof, including eligibility criteria and concentration limits) shall require the consent of Banks holding not less than 66⅔% of the Purchase Limit under the Facility.
Miscellaneous:	The Facility Documents will include (i) yield protection provisions (including, without limitation, provisions relating to compliance with risk-based capital guidelines, increased costs and payments free and clear of withholding taxes (subject to customary qualifications) substantially the same as those contained in the Existing Securitization Facility, (ii) waivers of consequential damages and jury trial, (iii) agency and sharing provisions substantially the same as those contained in the Existing Securitization Facility, (iv) customary setoff provisions and (v) a currency indemnity in respect of non-U.S. dollar judgments substantially the same as that contained in the Existing Securitization Facility.
Governing Law and Submission to Non-Exclusive Jurisdiction:	State of New York.
US Counsel to Administrative Agent:	Davis Polk & Wardwell.
Canadian Counsel to Administrative Agent:	Blake, Cassels & Graydon LLP.

ANNEX A

$300 MILLION GUARANTEED RECEIVABLES PURCHASE PROGRAM
YIELD AND FEES

Yield:	Capital will bear yield, at the option of the Seller, at one of the following rates: (i) the Applicable Margin (as defined below) plus Citibank, N.A.'s fluctuating Base Rate (as defined below), payable monthly in arrears; or (ii) the Applicable Margin *plus* the greater of 3% per annum and the current LIBO rate as quoted by the Administrative Agent, adjusted for reserve requirements, if any, and subject to customary change of circumstance provisions, for yield periods of one, two, three or six months (the "**LIBO Rate**"), payable at the end of the relevant yield period, but in any event at least quarterly. "**Applicable Margin**" means (i) 6.50% per annum, in the case of Base Rate Capital, and (ii) 7.50% per annum, in the case of LIBO Rate Capital; *provided*, that (x) upon the extension of the Termination Date pursuant to the exercise of the Fifteen Month Facility Extension Option, each of the foregoing rates shall be increased by 1.00% per annum and (y) upon the extension of the Termination Date pursuant to the exercise of the Eighteen Month Facility Extension Option, each of the foregoing rates shall be increased by an additional 1.00% per annum. "**Base Rate**" means the highest of (i) Citibank, N.A.'s base rate, (ii) the Federal Funds Effective Rate plus 1/2 of 1% and (iii) 4.00%. Yield shall be calculated on the basis of the actual number of days elapsed in a 360-day year. During the continuance of an Event of Termination (as defined in the Facility Documents), Capital will bear yield at an additional 2% per annum.
Unused Commitment Fee	A non-refundable unused commitment fee at the rate of 1.50% per annum will accrue as a percentage of the daily average unused portion of the Purchase Limit, payable in arrears on each Settlement Date (Yield and Fees) and on the Facility Termination Date.

SUPERIOR COURT

Commercial Division (Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.
And
ABITIBI-CONSOLIDATED INC.
And
BOWATER CANADIAN HOLDINGS INC.
And
the other Petitioners listed on Schedules "A", "B", "C"

Petitioners

And
ERNST & YOUNG INC.

Monitor

BS0350 File: 041053-1170

EXHIBIT R-1

ORIGINAL

Me Guy P. Martel (514) 397-3163
Fax : (514) 397-3493

STIKEMAN ELLIOTT
Stikeman Elliott LLP BARRISTERS & SOLICITORS
40th Floor
1155 René-Lévesque Blvd. West
Montréal, Canada H3B 3V2

EXHIBIT R-2

Highly Confidential

BARCLAYS CAPITAL INC.
745 Seventh Avenue
New York, New York 10019

May 18, 2009

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

Abitibi-Consolidated U.S. Funding Corp.
ACUSFC Room
55 E. Camperdown Way
Greenville, SC, 29601

ENGAGEMENT LETTER

Ladies and Gentlemen:

Abitibi-Consolidated Inc., a Canadian corporation ("**ACI**"), a party to a proceeding (the "**Canadian Case**") under the Companies Creditors Arrangement Act (the "**CCAA**"), has advised us that ACI's affiliate, Abitibi-Consolidated U.S. Funding Corp., a Delaware corporation (the "**Seller**"), desires to amend and restate (by way of assignment and subsequent amendment and restatement) the accounts receivable securitization facility presently being made available to the Seller pursuant to, among other agreements, that certain Amended and Restated Receivables Purchase Agreement, dated as of January 31, 2008, among the Seller, Citibank, N.A. ("**Citibank**") and the other parties thereto. ACI has requested that Barclays Capital Inc. ("**Barclays**"), the investment banking division of Barclays Bank PLC ("**Barclays Bank**"), accept an engagement to act as joint lead arranger and joint bookrunner, along with Citibank, of an amended accounts receivable securitization facility in an amount of up to $300 million (the "**Facility**"), on terms and conditions substantially consistent with those set forth in the attached term sheet (the "**Term Sheet**"), for the Seller. ACI has also asked Barclays to act as syndication agent for the Facility. The obligations of the Seller under the Facility upon certain termination events will be guaranteed by Donohue Corp., a Delaware corporation ("**Donohue**") and each of the direct and indirect wholly-owned subsidiaries of Donohue other than the Seller (Donohue and each such subsidiary, collectively, the "**Guarantors**"). Each of the Guarantors is a debtor and a debtor-in-possession in proceedings (the "**US Cases**" and, together with the Canadian Case, the "**Cases**") under chapter 11 of Title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"). ACI, the Guarantors and the Seller are referred to, collectively, as the "**Obligors**".

Subject to the terms and conditions of this letter (the "**Engagement Letter**"), Barclays is pleased to inform ACI of its willingness, in conjunction with Citibank, to use its best efforts to arrange a syndicate of financial institutions (the "**Banks**") for the Facility and to act as joint lead arranger, joint bookrunner and syndication agent for the Facility (it being understood and agreed that neither Barclays nor any of its affiliates is agreeing to underwrite such syndication). In addition, Barclays Bank is pleased to inform you of its commitment (the "**Barclays Commitment**") to provide $50,000,000 of the Facility, subject to the terms and conditions set forth in this Engagement Letter and the Term Sheet. This Engagement Letter, the Term Sheet and the Fee Letter (as defined in Section 5 below) are referred to, collectively, as the "**Engagement Documents**".

Section 1. **Conditions Precedent with respect to the Facility**. The Barclays Commitment and Barclays' agreements hereunder with respect to the Facility (the "**Barclays Agreements**") are subject to: (i) the preparation, execution and delivery of mutually acceptable documentation, incorporating substantially the terms and conditions outlined in this Engagement Letter and the Term Sheet and otherwise satisfactory to Barclays; (ii) in the reasonable judgment of Barclays, the absence of any material adverse change in the business, financial condition, operations, prospects or assets of the Obligors and their respective subsidiaries, taken as a whole, since December 31, 2007 (except as publicly disclosed by the Seller or any of its affiliates (including, without limitation, AbitibiBowater Inc.) or as otherwise heretofore disclosed in writing to Barclays); (iii) the accuracy and completeness in all material respects of all representations that ACI and the Seller make to Barclays and all information that ACI and the Seller furnish to Barclays; and (iv) the compliance by ACI and the Seller with the terms of the Engagement Documents, including without limitation, the payment in full of all fees, expenses and other amounts payable under the Engagement Documents. In addition, it is a condition of the Barclays Commitment that the portion of the Facility not being provided by Barclays Bank shall be provided by the other Banks, with at least $200,000,000 being provided by two or more Persons other than Citi or Barclays Bank.

Section 2. **Commitment Termination**. The Barclays Commitment and the Barclays Agreements will terminate on the earliest of (i) June 15, 2009, unless ACI elects to terminate this Engagement Letter on or prior to May 29, 2009, (ii) the first date on which both (1) you shall have delivered to us a copy of an order in respect of each Case (the "**Approval Order**") that has been entered by the Bankruptcy Court and the court having jurisdiction over the Canadian Case (the "**Canadian Court**"), as applicable, and become effective, in form and substance reasonably satisfactory to Barclays, authorizing (x) Abitibi Consolidated Sales Corporation, a Delaware corporation ("**ACSC**"), to cause the Seller to pay the fees and expenses payable by it set forth in the Engagement Documents with respect to the Facility, (y) to the extent applicable with respect to each Obligor, such Obligor to accept, and to incur its obligations under, the Engagement Documents with respect to the Facility and (z) the sale by ACI and ACSC of accounts receivable to the Seller free and clear of liens and (2) the definitive documentation evidencing the Facility shall have become effective, (iii) the date on which any of the US Cases shall have been dismissed or converted to proceedings under Chapter 7 of the Bankruptcy Code or a trustee or examiner shall have been appointed in any of the US Cases (or any comparable event with respect to ACI under the CCAA shall have occurred) and (iv) the date on which any of the conditions to the Barclays Commitment and the Barclays Agreements as outlined herein and in the Term Sheet shall have become incapable of being satisfied prior to the otherwise applicable expiration of the Barclays Commitment and the Barclays Agreements. Notwithstanding the foregoing, if the Approval Order shall at any time cease to be in full force and effect or shall be modified without the consent of Barclays or shall be reversed or stayed, in each case after the Approval Order is entered by the Bankruptcy Court, Barclays may, in its sole discretion, terminate this Engagement Letter, the Barclays Commitment and the Barclays Agreements, without further obligation hereunder.

Section 3. **Syndication**. Barclays will act as joint lead arranger and joint bookrunner for the Facility (Barclays together with Citibank, the "**Joint Lead Arrangers**") and Citibank will have "left" placement in all marketing materials and other documentation used in connection with the Facility. It is understood and agreed that Citibank will manage all aspects of the syndication in consultation with ACI and Barclays, including the timing of all offers to potential Banks, the determination of the amounts offered to potential Banks, the acceptance of commitments of the Banks, the assignment of any titles and the compensation to be provided to the Banks; *provided* that Barclays shall be the exclusive Syndication Agent with respect to the Facility and no other Joint Lead Arrangers for the Facility may be designated without Barclays' consent; *provided*, further, that any reduction in the commitments of Citibank and Barclays Bank as a result of syndication shall be applied to the commitments of each pro rata. ACI and Seller each agree for the benefit of Barclays to perform their respective obligations under Section 3 of the Engagement Letter dated March 7, 2009 with respect to the Facility entered into between them and Citibank.

Section 4. Non-Solicitation; Clear Market. Upon the effectiveness of this Engagement Letter, ACI agrees that neither it nor any of its affiliates will, directly or indirectly, solicit a proposal or commitment from or otherwise permit or encourage another person to solicit, on behalf of ACI or its affiliates, a financing proposal from another lender or funding source regarding an alternative financing as a substitute to the Facility; *provided* that neither ACI nor its affiliates shall be restricted from engaging in discussions with, or receiving financing proposals from (a) any lender or funding source that contacts ACI or any of its affiliates on an unsolicited basis or (b) any lender or funding source in connection with any debtor-in-possession credit facility to be provided to ACI.

To ensure an effective syndication of the Facility, ACI agrees that until the earlier of June 15, 2009 and the termination of the syndication (as determined by Citibank), ACI will not, and will not permit any of its affiliates to, syndicate, or announce or authorize the announcement of the syndication of, any debt facility or debt security secured by inventory and/or accounts receivable (including any renewals thereof but excluding any debtor-in-possession credit facility to be provided to ACI), without the prior written consent of Citibank.

The agreements contained in this Section 4 shall terminate upon the termination of the Barclays Commitment and the Barclays Agreements pursuant to Section 2 hereof.

Section 5. Fees. As consideration for the services to be provided hereunder, the Seller will pay the non-refundable fees set forth in the letter agreement dated the date hereof (the "**Fee Letter**") between the Seller and Barclays. The terms of the Fee Letter are an integral part of the obligations of Barclays and Barclays Bank hereunder and constitute part of this Engagement Letter for all purposes hereof.

Section 6. Indemnification. ACI and the Seller will, jointly and severally, indemnify and hold harmless Barclays and each of its affiliates and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "**Indemnified Party**") from and against any and all claims, damages, losses, liabilities and expenses (including without limitation, fees and disbursements of counsel), that may be incurred by or asserted or awarded against any Indemnified Party (including, without limitation, in connection with any investigation, litigation or proceeding or the preparation of a defense in connection therewith), in each case, arising out of or in connection with or by reason of this Engagement Letter or the Facility or the transactions contemplated hereby or thereby or any actual or proposed use of the proceeds of the Facility, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this paragraph applies, such indemnity will be effective whether or not such investigation, litigation or proceeding is brought by ACI, the Seller, any of their respective directors, security holders or creditors, an Indemnified Party or any other person or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated.

No Indemnified Party will have any liability (whether in contract, tort or otherwise) to ACI or any of its affiliates or any of their respective security holders or creditors for or in connection with the transactions contemplated hereby, except to the extent such liability is determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's gross negligence or willful misconduct. In no event, however, will any Indemnified Party be liable on any theory of liability for any special, indirect, consequential or punitive damages (including without limitation, any loss of profits, business or anticipated savings).

ACI and the Seller each acknowledge that information and other materials relative to the Facility and the transactions contemplated hereby may be transmitted through the Platform. No Indemnified Person will be liable to ACI, the Seller or any of their respective affiliates or any of their respective security holders or creditors for any damages arising from the use by unauthorized persons of information or other materials sent through the Platform that are intercepted by such persons.

Section 7. Costs and Expenses. ACI and the Seller will pay, or reimburse Barclays on demand for, all out-of-pocket costs and expenses incurred by it (whether incurred before or after the date hereof) in connection with the Facility and the preparation, negotiation, execution and delivery of this Engagement Letter, including without limitation, the reasonable fees and expenses of counsel, regardless of whether any of the transactions contemplated hereby are consummated. ACI and the Seller will also pay all costs and expenses of Barclays (including without limitation, the reasonable fees and disbursements of counsel) incurred in connection with the enforcement of any of its rights and remedies under this Engagement Letter.

Section 8. Confidentiality. By accepting delivery of this Engagement Letter, ACI and the Seller agree that this Engagement Letter is for their confidential use only and that neither its existence nor its terms will be disclosed to any person other than ACI's and the Seller's affiliates and their respective officers, directors, employees, advisors, agents and representatives (the "**Representatives**"), and then only on a confidential and "need to know" basis in connection with the transactions contemplated hereby; *provided, however*, that ACI and the Seller may make such public disclosure of the terms and conditions hereof as is required to obtain the Approval Order (including filing of the Engagement Letter with the Bankruptcy Court and the Canadian Court and the disclosure of the Engagement Letter to the Office of the United States Trustee, any official committee of creditors appointed in the Bankruptcy Case and the monitor appointed in the Canadian Case) or is required by law, in the opinion of ACI's counsel, to make. Notwithstanding any other provision in this Engagement Letter, Barclays hereby confirms that ACI and Representatives will not be limited from disclosing the U.S. tax treatment or U.S. tax structure of the Facility.

Section 9. Representations and Warranties. Each of ACI and the Seller represents and warrants that (i) all information, other than Projections (as defined below), that has been or will hereafter be made available to Barclays by ACI or any Representatives in connection with the transactions contemplated hereby (the "**Information**") is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made and (ii) all financial projections, if any, that have been or will be prepared by ACI or any Representatives and made available to Barclays (the "**Projections**") have been or will be prepared in good faith based upon assumptions that are or were reasonable as of the date of the preparation of such Projections (it being understood that the Projections are subject to significant uncertainties and contingencies, many of which are beyond ACI's control, and that no assurance can be given that the Projections will be realized). If, at any time from the date hereof until the termination of this Engagement Letter, any of the representations and warranties in the preceding sentence would not be accurate and complete in any material respect if the Information or Projections were being furnished, and such representations and warranties were being made, at such time, then ACI agrees to promptly supplement the Information and/or Projections from time to time so that the representations and warranties contained in this paragraph remain accurate and complete in all material respects under those circumstances.

In providing this Engagement Letter and in undertaking its activities hereunder, Barclays is relying on the accuracy of the Information furnished to it by or on behalf of ACI or any Representatives without independent verification thereof.

Section 10. No Third Party Reliance, Not a Fiduciary, Etc. The agreements of Barclays hereunder are made solely for the benefit of ACI and the Seller and may not be relied upon or enforced by any other person. Please note that those matters that are not covered or made clear herein are subject to mutual agreement of the parties. Neither ACI nor the Seller may assign or delegate any of their rights or obligations hereunder without Barclays' prior written consent. This Engagement Letter may not be amended or modified, or any provision hereof waived, except by a written agreement signed by all parties hereto.

ACI and the Seller each hereby acknowledge that Barclays is acting pursuant to a contractual relationship on an arm's length basis, and the parties hereto do not intend that Barclays act or be responsible as a fiduciary to ACI, the Seller, their respective management, stockholders or creditors or any other person. Each of ACI, the Seller and Barclays hereby expressly disclaims any fiduciary relationship and agrees they are each responsible for making their own independent judgments with respect to any transactions entered into between them. Each of ACI and the Seller also hereby acknowledge that Barclays has not advised and is not advising either of them as to any legal, accounting, regulatory or tax matters, and that they are each consulting their own advisors concerning such matters to the extent deemed appropriate.

ACI and the Seller understand that Barclays and its affiliates (collectively, the "**Group**") are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research). Members of the Group and businesses within the Group generally act independently of each other, both for their own account and for the account of clients. Accordingly, there may be situations where parts of the Group and/or their clients either now have or may in the future have interests, or take actions, that may conflict with the interests of ACI and the Seller. For example, the Group may, in the ordinary course of business, engage in trading in financial products or undertake other investment businesses for their own account or on behalf of other clients, including without limitation, trading in or holding long, short or derivative positions in securities, loans or other financial products of ACI or its affiliates or other entities connected with the Facility or the transactions contemplated hereby.

In recognition of the foregoing, ACI and the Seller each agree that the Group is not required to restrict its activities as a result of this Engagement Letter and that the Group may undertake any business activity without further consultation with or notification to either of them. Neither this Engagement Letter nor the receipt by Barclays of confidential information nor any other matter will give rise to any fiduciary, equitable or contractual duties (including without limitation, any duty of trust or confidence) that would prevent or restrict the Group from acting on behalf of other customers or for its own account. Furthermore, each of ACI and the Seller agree that neither the Group nor any member or business of the Group is under a duty to disclose to it or use on their behalf any information whatsoever about or derived from those activities or to account for any revenue or profits obtained in connection with such activities. However, consistent with the Group's long-standing policy to hold in confidence the affairs of its customers, the Group will not use confidential information obtained from ACI or the Seller except in connection with its services to, and its relationship with, ACI and the Seller, *provided however*, that the Group will be free to disclose information in any manner as required by law, regulation, regulatory authority or other applicable judicial or government order.

Section 11. Governing Law, Etc. This Engagement Letter will be governed by, and construed in accordance with, the law of the State of New York. This Engagement Letter sets forth the entire agreement between the parties with respect to the matters addressed herein and supersedes all prior communications, written or oral between the parties hereto, with respect hereto. This Engagement Letter may be executed in any number of counterparts, each of which, when so executed, will be deemed to be an original and all of which, taken together, will constitute one and the same Engagement Letter. Delivery of an executed counterpart of a signature page to this Engagement Letter by telecopier or electronic transmission (e.g., "pdf" or "tiff") will be as effective as delivery of an original executed counterpart of this Engagement Letter.

Section 12. Waiver of Jury Trial. Each party hereto irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Engagement Letter or the transactions contemplated hereby or the actions of the parties hereto in the negotiation, performance or enforcement hereof.

Section 13. Consent to Jurisdiction, Etc. Each of ACI and the Seller irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any New York State or Federal court located in the City of New York and the United States Bankruptcy Court for the District of Delaware over any suit, action or proceeding arising out of or relating to this Engagement Letter, (ii) accepts for itself and in respect of its property the jurisdiction of such courts, (iii) waives any objection to the laying of venue of any such suit, action or proceeding brought in any such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum and (iv) consents to the service of any process, summons, notice or document in any such suit, action or proceeding by registered mail addressed to ACI or the Seller (as applicable) at its address specified on the first page of this Engagement Letter. A final judgment in any such suit, action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein will affect Barclays' right to serve legal process in any other manner permitted by law or affect Barclays' right to bring any suit, action or proceeding against ACI or the Seller or their property in the courts of other jurisdictions. To the extent that ACI or the Seller has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each of ACI and the Seller irrevocably waives such immunity in respect of its obligations under this Engagement Letter.

Section 14. Patriot Act Compliance. Barclays hereby notifies the Seller that pursuant to the requirements of the USA PATRIOT ACT (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**Patriot Act**"), it is required to obtain, verify and record information that identifies the Seller, which information includes the name and address of the Seller and other information that will allow Barclays to identify the Seller in accordance with the Patriot Act. In that connection, Barclays may also request corporate formation documents, or other forms of identification, to verify information provided.

Section 15. Effectiveness of ACI's Obligations. With the exception of ACI's obligations under Section 4 hereof, the obligations of ACI pursuant to this Engagement Letter shall be subject to the approval by the Quebec Superior Court, Commercial Division.

[Remainder of this Page Intentionally Left Blank]

Please indicate your acceptance of the provisions hereof by signing the enclosed copy of this Engagement Letter and the Fee Letter and returning them to Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019 (fax: 646-758-2913) at or before 5:00 p.m. (New York City time) on May 18, 2009, the time at which the obligations of Barclays hereunder (if not so accepted prior thereto) will terminate. If you elect to deliver this Engagement Letter by telecopier, please arrange for the executed original to follow by next-day courier.

Very truly yours,

BARCLAYS CAPITAL INC.

By________________________
Name:
Title: Authorized Signatory

BARCLAYS BANK PLC

By________________________
Name:
Title: Authorized Signatory

ACCEPTED AND AGREED
on ________, ____:

ABITIBI-CONSOLIDATED INC.

By________________________
Name:
Title:

ABITIBI-CONSOLIDATED U.S. FUNDING CORP.

By________________________
Name:
Title:

Please indicate your acceptance of the provisions hereof by signing the enclosed copy of this Engagement Letter and the Fee Letter and returning them to Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019 (fax: 646-758-2913) at or before 5:00 p.m. (New York City time) on May 18, 2009, the time at which the obligations of Barclays hereunder (if not so accepted prior thereto) will terminate. If you elect to deliver this Engagement Letter by telecopier, please arrange for the executed original to follow by next-day courier.

Very truly yours,

BARCLAYS CAPITAL INC.

By________________________
Name:
Title: Authorized Signatory

BARCLAYS BANK PLC

By________________________
Name:
Title: Authorized Signatory

ACCEPTED AND AGREED
on __________, ____:

ABITIBI-CONSOLIDATED INC.

By________________________
Name: ALLEN DEA
Title:

ABITIBI-CONSOLIDATED U.S. FUNDING CORP.

By________________________
Name: ALLEN DEA
Title:

CONFIDENTIAL

$300 MILLION GUARANTEED RECEIVABLES PURCHASE PROGRAM (THE "FACILITY")
SUMMARY OF TERMS AND CONDITIONS[1]

Seller:	Abitibi-Consolidated U.S. Funding Corp., a Delaware corporation (the "**Seller**").
Originators:	Abitibi-Consolidated Inc., a Canadian corporation ("**ACI**"), and Abitibi Consolidated Sales Corporation, a Delaware corporation ("**ACSC**"). ACI is a debtor company in a proceeding (the "**Canadian Case**") under the Companies' Creditors Arrangement Act (the "**CCAA**").
Guarantors:	Donohue Corp., a Delaware corporation ("**Donohue**"), ACSC and each of the other direct and indirect wholly-owned subsidiaries of Donohue other than the Seller that is a debtor and a debtor-in-possession in proceedings (the "**US Cases**" and, together with the Canadian Case, the "**Cases**") under chapter 11 of the United States Bankruptcy Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"). The entities described in the preceding paragraph are referred to herein as the "**Guarantors**". All obligations of the Seller in respect of the Termination Amount (as defined below) will be unconditionally guaranteed by the Guarantors. The Seller, ACI and the Guarantors are referred to herein, collectively, as the "**Obligors**" and each as an "**Obligor**". As used herein, "**Abitibi Entities**" means, collectively, ACI, Donohue and their respective subsidiaries.
Termination Amount:	On the Termination Date (as defined below), the Seller shall become immediately and unconditionally obligated to pay to the Banks the sum of all Capital, accrued Yield and Fees and any other amounts then payable by the Seller to the Banks or the Agent under any of the Facility Documents and any other documents delivered in connection therewith (collectively, the "**Termination Amount**'). Upon the payment in full by the Seller of the Termination Amount, all additional Collections with respect to the Receivable

[1] Capitalized terms used but not defined herein have the meanings set forth in the Seller's existing accounts receivable securitization facility (the "**Existing Securitization Facility**").

	Interests shall be paid to the Seller for its own account.
Administrative Agent:	Citibank, N.A. (in such capacity, the "**Administrative Agent**").
Joint Lead Arrangers and Joint Book Runners:	Citibank, N.A. (in such capacity, the "**Lead Arranger**") and Barclays Capital Inc. (together with the Lead Arranger in such capacity, the "**Arrangers**").
Syndication Agent:	Barclays Capital Inc.
Purchasers:	Each of the Arrangers (or any of their respective affiliates) and other financial institutions or entities acceptable to the Lead Arranger (the "**Banks**").
Purchase Limit:	$300,000,000
Termination Date:	The "**Termination Date**" shall be the earliest of (a) the date that is 364 days after the Closing Date (the "**Stated Termination Date**"), (b) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in any of the Guarantors' Cases that is confirmed pursuant to an order entered by the Bankruptcy Court (or a corresponding order shall be entered in the Canadian Court) and (c) the declaration of the Facility Termination Date following an Event of Termination under the Facility Documents (as defined below) (or automatic occurrence of the Facility Termination Date upon an event of termination triggered by the Seller's bankruptcy).
Fifteen Month Facility Extension Option:	The Seller may extend the Stated Termination Date from 364 days to 15 months upon satisfaction of the following conditions prior to the date that is 364 days after the Closing Date: 1. The Seller shall have provided written notice to the Administrative Agent not more than 60 nor less than 30 days prior to the date that is 364 days after the Closing Date of its intention to exercise the Fifteen Month Facility Extension Option. 2. The Seller shall have paid a fee to the Administrative Agent, for the account of the Banks on a ratable basis, equal to 1.0% of the then applicable Purchase Limit under the Facility immediately prior to giving effect to the extension. 3. The Guarantors and ACI shall have filed with the

Bankruptcy Court and the court having jurisdiction over the Canadian Case (the "**Canadian Court**"), respectively, a plan of reorganization (as the same may be amended from time to time, the "**Reorganization Plan**") providing for the full repayment of the Capital and all other amounts then due by the Seller under the Facility in cash upon consummation thereof.

4. Liquidity of the Abitibi Entities shall be not less than $150 million.

5. No incipient Event of Termination or Event of Termination shall have occurred and be continuing.

6. Accuracy of representations.

Eighteen Month Facility Extension Option:

Following the exercise and effectiveness of the Fifteen Month Facility Extension Option, the Seller may extend the Stated Termination Date from 15 months to 18 months upon satisfaction of the following conditions prior to the date that is 15 months after the Closing Date:

1. The Seller shall have provided written notice to the Administrative Agent not more than 60 nor less than 30 days prior to the date that is 15 months after the Closing Date of its intention to exercise the Eighteen Month Facility Extension Option.

2. The Seller shall have paid a fee to the Administrative Agent, for the account of the Banks on a ratable basis, equal to 1.0% of the then applicable Purchase Limit under the Facility immediately prior to giving effect to the extension.

3. The Guarantors and ACI shall not have withdrawn the Reorganization Plan, and confirmation of the Reorganization Plan shall not have been denied by the Bankruptcy Court or the Canadian Court, as applicable.

4. Liquidity of the Abitibi Entities shall be not less than $150 million.

5. No incipient Event of Termination or Event of Termination shall have occurred and be continuing.

6. Accuracy of representations.

7. The Majority Banks shall have approved the

extension of the Stated Termination Date to the date that is 18 months after the Closing Date.

Facility Documents:	The Facility will be documented by (A) an assignment to the Administrative Agent of (i) the Amended and Restated Receivables Purchase Agreement with respect to the Existing Securitization Facility (the "**Existing RPA**") and (ii) all other Transaction Documents (as necessary or desirable in the reasonable determination of the Administrative Agent), (B) an amendment and restatement of the Existing RPA, (C) an amendment and restatement of the Originator Purchase Agreement and (D) the entry into a Guaranty and Undertaking Agreement and any other relevant documentation (the foregoing, collectively, the "**Facility Documents**") reflecting the terms and provisions set forth in this term sheet and otherwise in form and substance satisfactory to the Arrangers and the Seller.
Voluntary Reductions of Purchase Limit:	The Seller may, upon at least 5 business days' notice, reduce in full or in part, without premium or penalty, the unused portion of the Purchase Limit; *provided* that each such partial reduction shall be in an aggregate amount of $1,000,000 or an integral multiple thereof.
Yield and Fees:	As set forth on Annex A attached hereto.
Availability:	Availability to the Seller under the Facility will be equal to (i) the lesser of (A) the Collateral Availability (as defined below) and (B) the then effective Purchase Limit under the Facility minus (ii) the aggregate amount of the outstanding Capital. "**Collateral Availability**" shall mean (v) up to 85% of the eligible accounts receivable of the Seller <u>minus</u> (w) such availability reserves as the Administrative Agent, in its reasonable judgment, deems appropriate and consistent with standards for similar asset-based financings taking into account current market conditions <u>minus</u> (x) an availability block equal to the greater of (i) $30 million and (ii) 8% of the gross accounts receivable of the Seller <u>minus</u> (y) reserves for insurance deductibles <u>minus</u> (z) reserves for foreign currency exchange; *provided* that the methodology for deriving Collateral Availability will not be materially different than that reflected in the spreadsheet furnished by the Administrative Agent to the Seller on April 30, 2009 (the "**Spreadsheet**").
Eligibility:	Eligibility of accounts receivable for purposes of computing "Collateral Availability" will be determined by the Administrative Agent in accordance with criteria

substantially similar to those contained in the Administrative Agent's credit agreements for similar asset-based transactions; *provided* that the eligibility criteria will not be materially different than the criteria reflected in the Spreadsheet.

The Administrative Agent shall have the right to conduct field audits and examinations of receivables on a quarterly basis or, upon the occurrence and continuance of an event of default or upon any significant decrease in the liquidity of the Abitibi Entities (with a threshold to be agreed), the Administrative Agent shall have the right to conduct such field audits and examinations at any time, at the reasonable request of the Administrative Agent.

Servicer:	ACSC.
Subservicer:	ACI.
Receivables Reports:	Substantially as set forth in the Existing Securitization Facility.
Settlement Procedures; Collections; Collection Accounts; Application of Collections:	Substantially as set forth in the Existing Securitization Facility, as modified to reflect the obligations of the Seller and the Guarantors in respect of the Termination Amount.
Security and Priority:	All amounts owing by the Seller under the Facility (including in respect of Yield, Capital, fees or expenses or otherwise) will be secured by a first priority perfected security interest in all assets of the Seller (the "**Collateral**").

In the US Cases, the Banks will be granted in the Orders a superpriority administrative claim under Section 364(c)(1) of the Bankruptcy Code for the payment of the obligations of the Guarantors under the Facility with priority above all other administrative claims (other than any superpriority claims in respect of adequate protection provided to the lenders under Abitibi-Consolidated Company of Canada's prepetition secured credit and guaranty agreement having priority pursuant to Section 507(b) of the Bankruptcy Code (the "**Abitibi Adequate Protection Claims**")), subject to the Carve-Out.[2]

Notwithstanding the foregoing, any superpriority claim shall not be satisfied from avoidance actions of the Guarantors arising under the Bankruptcy Code or the

[2] Carve-Out to be consistent with that agreed to in respect of the continuation of the Existing Securitization Facility and, for the avoidance of doubt, shall not extend to any assets of the Seller.

proceeds thereof, except to the extent of any amounts paid out under the Carve-Out.

In the Canadian Case of ACI, an order of the Canadian Court shall be entered directing ACI to perform and pay its obligations under the Facility.

Court Orders; Intercreditor Issues:

Interim orders (collectively, the "**Interim Order**") and final orders (collectively, the "**Final Order**") of the Bankruptcy Court and an amendment to the initial order of the Canadian Court (the "**Amended Initial Order**"), in substantially the form set forth as an exhibit to the Facility Documents (collectively, the "**Orders**"), shall be obtained directing ACI to perform and pay its obligation under the Facility referred to under the heading "Security and Priority" above and authorizing and approving (x) the making of the purchases by the Banks, the guarantees by the Guarantors and the granting of the superpriority claims and (y) providing, among other things, that (i) the sale of receivables by ACI and ACSC to the Seller shall be a true sale, free and clear of any liens, claims, charges, encumbrances or other interests, (ii) ACSC shall cause the Seller to grant the first priority liens on the Collateral, (iii) the Banks shall have the right to enforce against the Collateral in accordance with the Facility Documents, (iv) non-material modifications of the Facility Documents shall be permitted without further court hearing or order, subject to prior notice to the monitor in the Canadian Case and any official creditor's committee in the US Cases and (v) the performance by the Originators and the Seller of their obligations under the Facility Documents and the conduct of their respective businesses shall not provide a basis for substantive consolidation.

Conditions Precedent to the Assignment:

The Facility Documents will contain conditions to the assignment of the Facility Documents (the date of such assignment, the "**Closing Date**") under the Facility customarily found in the Administrative Agent's agreements for similar financings and other conditions deemed by the Administrative Agent to be appropriate to the specific transaction and in any event including without limitation:

A. All documentation relating to the Facility shall be in form and substance consistent with this term sheet and otherwise reasonably satisfactory to the Administrative Agent, its counsel and the initial Banks.

B. Each of the Guarantors shall be a debtor and a debtor-in-possession under the Bankruptcy Code and ACI shall be a debtor company in the Canadian Case.

C. The Administrative Agent shall have received signed copies of the Interim Order and the Amended Initial Order, which Interim Order and Amended Initial Order shall not have been vacated, reversed, modified, amended or stayed.

D. All reasonable and documented out-of-pocket fees and expenses (including reasonable fees and expenses of outside counsel, financial advisors and field examinations) required to be paid to the Administrative Agent and the Banks on or before the Closing Date shall have been paid.

E. The Banks shall have received and be satisfied with (i) the audited annual consolidated financial statements of AbitibiBowater Inc. for the year ended December 31, 2008, (ii) interim unaudited quarterly combined financial statements of the Abitibi Entities for each fiscal quarter completed since the date of the last audited financial statements and ending at least 50 days prior to the Closing Date and (iii) monthly projections, weekly forecasts for 13 weeks after the Closing Date and a business plan prepared by management.

F. The Administrative Agent shall be satisfied in its reasonable judgment that there shall not occur as a result of, and after giving effect to, the assignment of the Facility, a default (or any event which with the giving of notice or lapse of time or both would be a default) under (i) any of the debt instruments or other material agreements of the Seller or (ii) any of the post-petition debt instruments or other material post-petition agreements of any of the other Abitibi Entities that would permit the counterparty thereto to exercise remedies thereunder on a post-petition basis.

G. [Reserved].

H. The Banks shall have received reasonably satisfactory opinions of independent counsel to the Seller and the Guarantors, addressing such matters as the Banks shall reasonably request, including, without limitation, the enforceability of all Facility Documents, compliance with all laws and regulations, the perfection of all sales of receivables and all security interests purported to be granted and no conflicts with material agreements.

I. The absence of a material adverse change, or any event or occurrence, other than the commencement of the Cases, which could reasonably be expected to result in a material adverse change, in (i) the business, financial condition, operations, prospects or properties of the Abitibi Entities, taken as a whole, since December 31, 2008[3] (except as publicly disclosed by the Seller, the Guarantors, or any of their affiliates (including, without limitation, AbitibiBowater Inc.) or as otherwise disclosed in writing to the Administrative Agent), (ii) the ability of the Seller or the Guarantors to perform their respective obligations under the Facility Documents or (iii) the ability of the Administrative Agent and the Banks to enforce the Facility Documents (any of the foregoing being a "**Material Adverse Change**").

J. There shall exist no (or, in the case of any Abitibi Entity other than the Seller, no unstayed) action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality (other than the Cases) that (i) could reasonably be expected to result in a Material Adverse Change or (ii) restrains, prevents or imposes or can reasonably be expected to impose materially adverse conditions upon the Facility or the transactions contemplated thereby.

K. All necessary governmental and third party consents and approvals necessary in connection with the Facility and the transactions contemplated thereby shall have been obtained (without the imposition of any adverse conditions that are not reasonably acceptable to the Banks) and shall remain in effect; and no law or regulation shall be applicable in the judgment of the Banks that restrains, prevents or imposes materially adverse conditions upon the Facility or the transactions contemplated thereby.

L. The Banks shall have received "know your customer" and similar information and shall have been given such access to the management, records, books of account, contracts, and properties of the Abitibi Entities and shall have received such financial, business, legal and other information regarding the Abitibi Entities as the Banks shall have requested.

[3] Audited 2008 financial statements of AbitibiBowater Inc. to be delivered prior to closing.

M. The Banks shall have a valid and, upon filing of the applicable financing statements (or any required amendments to the financing statements filed in connection with the Existing Securitization Facility), perfected first priority lien on and security interest in the Collateral; all filings, recordations and searches necessary or desirable in connection with such liens and security interests and in connection with the sale of receivables shall have been duly made; and all filing and recording fees and taxes shall have been duly paid.

N. ACI's existing credit insurance programs (the "**Credit Insurance Programs**") with Export Development Canada and COFACE shall continue to be in effect.

Conditions Precedent to Each Purchase:	On the date of each purchase (i) there shall exist no default under the Facility Documents, (ii) the representations and warranties of the Seller and each Guarantor therein shall be true and correct immediately prior to, and after giving effect to, such funding, (iii) the making of such purchase shall not violate any requirement of law and shall not be enjoined, temporarily, preliminarily or permanently and (iv) the Interim Order, the Final Order or the Amended Initial Order (as applicable) shall be in full force and effect and shall not have been vacated, reversed, modified, amended or stayed in any respect without the consent (not to be unreasonably withheld or delayed) of the Administrative Agent.
Representations and Warranties:	The Facility Documents will contain representations and warranties of the Seller, ACI and ACSC substantially the same as those contained in the Existing Securitization Facility, and other representations of the Obligors (subject to materiality thresholds and carveouts to be agreed) including, without limitation with respect to: valid existence, compliance with law, requisite power, due authorization, approvals, no conflict with agreements or applicable law, enforceability of the Facility Documents, no subsidiaries, no business other than purchase of receivables, deposit and lockbox accounts, material accuracy of financial statements and all other information provided, absence of Material Adverse Change, absence of material adverse litigation, taxes, margin regulations, ownership of Collateral, no default under material agreements or the Facility Documents, inapplicability of Investment Company Act, use of proceeds, labor matters, ERISA and other pension plan matters, environmental matters and security interests in Collateral.
Affirmative Covenants:	The Facility Documents will contain affirmative covenants substantially the same as those contained in the Existing

Securitization Facility, and other affirmative covenants (which shall be applicable to the Abitibi Entities) (subject, where customary, to materiality thresholds and carveouts to be agreed), including, without limitation, the following:

A. Preservation of corporate existence.

B. Compliance with laws (including ERISA and other pension plan matters and applicable environmental laws) and material provisions of contracts relating to accounts receivable.

C. Conduct of business.

D. Deposits to lockboxes and deposit account (in the case of ACI, ACSC and the Seller).

E. Separateness of the Seller.

F. Payment of obligations and taxes.

G. Maintenance of insurance.

H. Access to books and records and visitation rights.

I. Quarterly update calls with Banks.

J. Maintenance of books and records.

K. Use of proceeds.

L. Provision of additional guarantees (from any future wholly-owned subsidiaries of Donohue).

M. Further assurances.

N. Maintenance of the deposit and concentration account and lockbox arrangements as are in effect under the Existing Securitization Facility.

O. Maintenance of Credit Insurance Programs.

P. Use of commercially reasonable efforts to obtain credit ratings in respect of the Facility from Standard & Poor's and at least one other nationally recognized statistical rating organization within 30 days after the Closing Date.

Negative Covenants: The Facility Documents will contain negative covenants substantially the same as those contained in the Existing

Securitization Facility and other negative covenants (which shall be applicable to the Abitibi Entities) (subject, where customary, to materiality thresholds and carveouts to be agreed), including, without limitation, the following:

A. Limitations on debt and guarantees (including, for the avoidance of doubt, a prohibition on additional debt or guarantees of the Seller); *provided* that:

   - Intercompany advances among the Abitibi Entities (other than the Seller) shall be permitted, *provided* that any such Indebtedness of an Obligor shall be subordinated to the obligations under the Facility, except to the extent that an order of the Canadian Court provides for any Indebtedness to a Guarantor to be subject to a court ordered charge;

   - Letters of credit of the Abitibi Entities (other than the Seller) in an amount of up to $135 million shall be permitted;

   - Debt of Bridgewater Paper Company Limited and its subsidiaries shall be permitted up to a maximum amount to be agreed; and

   - Up to $250 million of debt in respect of a postpetition secured credit facility of ACI or any of its subsidiaries shall be permitted (the "**ACI DIP Facility**").

B. Limitation on liens (including, for the avoidance of doubt, a prohibition on liens on the Collateral); *provided* that (x) liens on assets of ACI or any of its subsidiaries securing the ACI DIP Facility shall be permitted and (y) liens in favor of any Abitibi Entity granted pursuant to any order of the Canadian Court in effect on the Closing Date shall be permitted.

C. Limitations on investments.

D. Limitations on mergers, amalgamations, consolidations, acquisitions, joint ventures, creation of subsidiaries and asset dispositions, including, without limitation, the issuance and sale of capital stock of subsidiaries; *provided* that

   - the sale of Lufkin, Manicouagan Power Company, ACH Limited Partnership, timberlands shall be permitted;

- dispositions of other assets (other than Collateral) in an aggregate amount not to exceed $100 million shall be permitted; and

- the Seller may not engage in any such transactions.

E. Limitations on cancellation of debt and on prepayments, redemptions and repurchases of pre-petition debt and junior indebtedness, except as authorized under (x) the "first day orders" in the US Cases or under the Initial Order in the Canadian Case, or (y) other orders entered by the Bankruptcy Court or the Canadian Court or action by, or approved by, the monitor with notice to the Administrative Agent; *provided* that any debt secured by a permitted lien on an asset that is disposed of in a permitted transaction may be prepaid with the proceeds of such disposition.

F. Separateness of Seller

G. Limitations on restricted payments.

H. Prohibition on material changes in business.

I. Limitation on transactions with affiliates; *provided* that ordinary course transactions with affiliates on arm's-length terms shall be permitted.

J. Limitations on (i) changes to credit and collection policy, (ii) changes in payment instructions to receivables obligors and (iii) extensions or amendments to accounts receivable.

K. Limitation on changes in fiscal year without the Administrative Agent's consent.

L. Limitations on amendment of constituent documents.

M. Prohibition on actions that would void coverage under the Credit Insurance Programs.

Selected Financial Covenants: The Facility Documents will contain the following financial covenants (which will be applicable to the Abitibi Entities) at levels to be determined:

A. Minimum EBITDAR; *provided* that the Minimum EBITDAR covenant (x) shall not be applicable at any date so long as (i) Liquidity is at least $100 million on a daily average basis for the most recent four-week reporting period ending on or prior to such date and (ii)

Liquidity is at least $75 million on such date and (y) shall not be applicable prior to August 20, 2009. The Minimum EBITDAR test shall be based on cumulative quarterly EBITDAR, commencing with the second quarter of 2009. The compliance level will build on the basis of $45 million per quarter up to $180 million for a four-quarter test.

B. Liquidity not to be less than (x) $25 million at any date on or after the Closing Date or (z) $50 million on a daily average basis for any four-week period beginning on or after the Closing Date (reported weekly).

C. Maximum Capital Expenditures.

Financial Reporting Requirements:

ACI shall provide, in each case with respect to the Abitibi Entities, combined: (i) monthly financial statements, including balance sheet, income statement and cash flow statement, within 30 days of month-end, certified by an authorized financial officer of ACI; (ii) quarterly financial statements, including balance sheet, income statement and cash flow statement, within 50 days of quarter-end for the first 3 fiscal quarters of the fiscal year, certified by an authorized financial officer of ACI; (iii) annual audited financial statements within 105 days of year-end, certified by independent certified public accountants acceptable to the Administrative Agent; and (iv) rolling 13-week cash flow projections, within 5 days of the end of each week. In addition, as soon as available but not later than June 30, 2009, ACI shall provide the audited annual combined financial statements for the Abitibi Entities for the year ended December 31, 2008.

In addition, ACI shall provide copies of all reports on Form 10-K, 10-Q, 8-K, 6-K or 20-F filed by AbitibiBowater Inc., ACI or any of their subsidiaries with the Securities and Exchange Commission, the Ontario Securities Commission, the Autorité des marchés financiers (Québec) or any other governmental or private regulatory authority; *provided*, that such reports shall be deemed to have been provided to the extent they have been filed with the Securities and Exchange Commission and/or posted to a website specified by ACI.

The Seller shall provide (i) monthly financial statements, including balance sheet, income statement and cash flow statement, within 30 days of month-end, certified by the treasurer or assistant treasurer of the Seller and (ii) without duplication, financial and other reports substantially the same as those it provides under the Existing Securitization

Facility.

Other Reporting Requirements: The Facility Documents will contain other reporting requirements, including, without limitation, with respect to defaults under the Facility Documents, litigation, contingent liabilities, ERISA, pension plan or environmental events, advance notice of changes in the Seller's jurisdiction of organization, notices with respect to the Credit Insurance Programs and quarterly and annual no default certifications, at such times and in form and substance as is reasonably satisfactory to the Administrative Agent.

Events of Termination: The Facility Documents will contain Events of Termination substantially the same as those contained in the Existing Securitization Facility, and other Events of Termination, including without limitation, the following (with, where appropriate, customary grace periods and exceptions to be determined):

A. Failure by the Seller to make payments required under the RPA

B. Servicer Defaults

C. Representations and warranties incorrect in any material respect when made.

D. Failure to comply with covenants (with grace period as appropriate for affirmative covenants).

E. Cross-default to material post-petition indebtedness of the Abitibi Entities that would permit exercise of post-petition remedies.

F. Failure to satisfy or stay execution of material judgments.

G. The occurrence of certain ERISA events (and comparable Canadian pension events) that result in liabilities in excess of a threshold to be agreed.

H. Actual or asserted invalidity or impairment of any Facility Document (including the failure of any lien to remain perfected).

I. Change of ownership or control (to be defined).

J. Insolvency events with respect to the Seller.

K. (a) The entry of an order dismissing any of the US Cases or converting any of the US Cases to a case under chapter 7 of the Bankruptcy Code or terminating the Canadian Case or converting the Canadian Case to a proceeding under the Bankruptcy and Insolvency Act (Canada); (b) the entry of an order appointing a chapter 11 trustee in any of the US Cases or in the chapter 11 case of AbitibiBowater Inc., (c) any trustee in bankruptcy, receiver, interim receiver or other official with similar powers shall be appointed with respect to ACI or its assets; (d) the entry of an order staying, reversing, vacating or otherwise modifying, in each case in a manner adverse to the Banks and without the prior consent of the Banks, the Facility or any of the Orders; (e) the entry of an order in any of the US Cases appointing an examiner having expanded powers (beyond those set forth under Sections 1106(a)(3) and (4) of the Bankruptcy Code); (f) the filing of any pleading by any Abitibi Entity seeking, or otherwise consenting to, any of the matters set forth in clauses (a) through (e) above; (g) the filing of a plan of reorganization, compromise or arrangement that does not provide for the indefeasible payment in full upon confirmation in cash of all obligations owed to the Banks; (h) the entry of a final non-appealable order in any of the Cases charging any of the Collateral under Section 506(c) of the Bankruptcy Code against the Banks (or the filing of any pleading by any Abitibi Entity in any of the Cases seeking such an order, (i) the commencement by any Abitibi Entity of any other action in any of the Cases materially adverse to the Banks or their respective rights and remedies under the Facility or their interest in the Collateral, except to the extent integral to any transaction permitted under the Facility Documents; (j) the entry of an order granting relief from any stay of proceeding (including, without limitation, the automatic stay) so as to allow a third party to proceed against any material assets of the Abitibi Entities; or (k) the existence of any claims or charges, other than in respect of the Facility and the Abitibi Adequate Protection Claims, entitled to superpriority under Section 364(c)(1) of the Bankruptcy Code or of any senior or pari passu claims or charges other than those authorized by the initial order of the Canadian Court as in effect on the Closing Date.

L. The making of any payments in respect of pre-petition indebtedness, except as authorized under (x) the "first day orders" in the US Cases or under the Initial Order in the Canadian Case or (y) or other orders entered by the Bankruptcy Court or the Canadian Court with the consent of (or without the objection by) the Administrative Agent (acting at the direction of the Majority Banks), or to the extent specifically permitted in accordance with the proviso to paragraph E of "Negative Covenants".

M. Termination of the Credit Insurance Programs.

N. The Final Order shall not have been entered within 30 days (or such longer period, not to exceed 60 days, as may be approved by the Administrative Agent) following the entry of the Interim Order.

Expenses and Indemnification: The Seller shall pay (i) all reasonable out-of-pocket expenses incurred by the Agent, including the reasonable fees, charges and disbursements of Davis Polk & Wardwell, special counsel for the Agent and any local counsel retained by the Lead Arranger, in connection with the syndication of the Facility, the preparation and administration of the Facility Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Agent or any Bank, including the fees, charges and disbursements of any counsel for the Agent or any Bank, in connection with the enforcement or protection of its rights in connection with any Facility Document, or in connection with the Receivable Interests, including all such out-of-pocket expenses incurred during any workout or restructuring in respect of such Receivable Interests.

Assignments and Participations: Each Bank will be permitted to assign all or a portion of its rights and obligations under the RPA (including, without limitation, all or a portion of its Bank Commitment and any Receivable Interests or interests therein owned by it) to any other Bank or any of its affiliates, any other person managed by a Bank or any of its affiliates or any other financial or other institution acceptable to the Administrative Agent and approved by the Seller; *provided*, that (x) each such assignment shall be in a minimum of $5,000,000 and (y) approval by the Seller shall not be required if an incipient Event of Termination or an Event of Termination shall have occurred and be continuing.

The Banks will be permitted to sell participations in all or a portion of its rights and obligations under the RPA without restriction.

Majority Banks:	Banks holding more than 50% of the Purchase Limit (the "**Majority Banks**").
Amendments:	Amendments and waivers of the Transaction Documents will require the approval of the Majority Banks (except for provisions customarily requiring approval by all affected Banks); *provided* that amendments and waivers to the definition of "Collateral Availability" (or the components thereof) or "Net Receivables Pool Balance" (or the components thereof, including eligibility criteria and concentration limits) shall require the consent of Banks holding not less than 66⅔% of the Purchase Limit under the Facility.
Miscellaneous:	The Facility Documents will include (i) yield protection provisions (including, without limitation, provisions relating to compliance with risk-based capital guidelines, increased costs and payments free and clear of withholding taxes (subject to customary qualifications) substantially the same as those contained in the Existing Securitization Facility, (ii) waivers of consequential damages and jury trial, (iii) agency and sharing provisions substantially the same as those contained in the Existing Securitization Facility, (iv) customary setoff provisions and (v) a currency indemnity in respect of non-U.S. dollar judgments substantially the same as that contained in the Existing Securitization Facility.
Governing Law and Submission to Non-Exclusive Jurisdiction:	State of New York.
US Counsel to Administrative Agent:	Davis Polk & Wardwell.
Canadian Counsel to Administrative Agent:	Blake, Cassels & Graydon LLP.

ANNEX A

$300 MILLION GUARANTEED RECEIVABLES PURCHASE PROGRAM
YIELD AND FEES

Yield:	Capital will bear yield, at the option of the Seller, at one of the following rates: (i) the Applicable Margin (as defined below) <u>plus</u> Citibank, N.A.'s fluctuating Base Rate (as defined below), payable monthly in arrears; or (ii) the Applicable Margin *plus* the greater of 3% per annum and the current LIBO rate as quoted by the Administrative Agent, adjusted for reserve requirements, if any, and subject to customary change of circumstance provisions, for yield periods of one, two, three or six months (the "**LIBO Rate**"), payable at the end of the relevant yield period, but in any event at least quarterly. "**Applicable Margin**" means (i) 6.50% per annum, in the case of Base Rate Capital, and (ii) 7.50% per annum, in the case of LIBO Rate Capital; *provided*, that (x) upon the extension of the Termination Date pursuant to the exercise of the Fifteen Month Facility Extension Option, each of the foregoing rates shall be increased by 1.00% per annum and (y) upon the extension of the Termination Date pursuant to the exercise of the Eighteen Month Facility Extension Option, each of the foregoing rates shall be increased by an additional 1.00% per annum. "**Base Rate**" means the highest of (i) Citibank, N.A.'s base rate, (ii) the Federal Funds Effective Rate plus 1/2 of 1% and (iii) 4.00%. Yield shall be calculated on the basis of the actual number of days elapsed in a 360-day year. During the continuance of an Event of Termination (as defined in the Facility Documents), Capital will bear yield at an additional 2% per annum.
Unused Commitment Fee	A non-refundable unused commitment fee at the rate of 1.50% per annum will accrue as a percentage of the daily average unused portion of the Purchase Limit, payable in arrears on each Settlement Date (Yield and Fees) and on the Facility Termination Date.

SUPERIOR COURT

Commercial Division (Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.
And
ABITIBI-CONSOLIDATED INC.
And
BOWATER CANADIAN HOLDINGS INC.
And
the other Petitioners listed on Schedules "A", "B", "C"

Petitioners

And
ERNST & YOUNG INC.

Monitor

BS0350 File: 041053-1170

EXHIBIT R-2

ORIGINAL

Me Guy P. Martel (514) 397-3163
Fax : (514) 397-3493

STIKEMAN ELLIOTT
Stikeman Elliott LLP BARRISTERS & SOLICITORS
40th Floor
1155 René-Lévesque Blvd. West
Montréal, Canada H3B 3V2

SUPERIOR COURT

Commercial Division (Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

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CANADA
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Petitioners

And
ERNST & YOUNG INC.

Monitor

BS0350 File: 041053-1170

LIST OF EXHIBITS AND EXHIBITS R-1 TO R-2

ORIGINAL

Me Guy P. Martel (514) 397-3163
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