EXHIBIT N-10

NOTICE OF MEETING AND
INFORMATION CIRCULAR
PERTAINING TO A
PLAN OF REORGANIZATION AND
COMPROMISE
UNDER
THE *COMPANIES' CREDITORS ARRANGEMENT ACT* (CANADA),
THE *CANADA BUSINESS CORPORATIONS ACT*
AND SUCH OTHER LEGISLATION TO BE SET FORTH IN
THE RESTRUCTURING TRANSACTIONS NOTICE
INVOLVING ABITIBIBOWATER INC.
AND CERTAIN OF ITS SUBSIDIARIES LISTED IN APPENDIX A HERETO

– AND –

A RIGHTS OFFERING

OF

REORGANIZED ABH IN CONNECTION THEREWITH

August 2, 2010

This information circular is being distributed to creditors of certain subsidiaries of AbitibiBowater Inc. listed in Appendix A hereto by and on behalf of such entities and AbitibiBowater Inc. in connection with the meetings called to consider the reorganization and compromise proposed by them which are scheduled to be held at 10:00 a.m. (Montreal time) on September 14, 2010 at the Hilton Montreal Bonaventure, 900 de La Gauchetière West, Montréal, Québec, H5A 1E4, Canada and a rights offering of Reorganized ABH in connection therewith.

These materials require your immediate attention. You should consult your professional advisors in connection with the contents of these documents. *Should you have any questions regarding voting, the rights offering or other procedures or should you wish to obtain additional copies of these materials, you may contact Ernst & Young Inc., which acts as the Monitor, at 800 René-Lévesque Blvd. West, Suite 2000, Montreal, Québec, H3B 1X9, Canada (Attention: the Monitor of AbitibiBowater Inc. et al.), facsimile number: 514-879-3992 and telephone number: 1-866-246-7889.*

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LETTER TO AFFECTED UNSECURED CREDITORS

August 2, 2010

TO: Affected unsecured creditors of certain subsidiaries of AbitibiBowater Inc. (the "Affected Unsecured Creditors") listed in Appendix A to the Notice of Creditors' Meetings and Information Circular accompanying this letter (the "Circular").

AbitibiBowater Inc. ("**ABH**") and certain of its subsidiaries listed in Appendix A – "*Applicants*" to the Circular (collectively, the "**Applicants**") are inviting you to the meetings of Affected Unsecured Creditors (the "**Creditors' Meetings**") which are scheduled to be held at the Hilton Montreal Bonaventure, 900 de La Gauchetière West, Montréal Québec, H5A 1E4, Canada, at 10:00 a.m. (Montreal time), on September 14, 2010, to present, for your approval, a resolution in respect of each class of Affected Unsecured Creditors to which you belong, substantially in the Form attached as Appendix B – "*Resolution*" to the Circular, (the "**Resolution**") relating to a proposed plan of reorganization and compromise (as it may be amended, varied or supplemented by the Applicants from time to time in accordance with its terms and the terms of the creditors' meeting order rendered by the Québec Superior Court of Justice, Commercial Division in connection with the Creditors' Meetings, the "**CCAA Plan**") pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**"), the *Canada Business Corporations Act* ("**CBCA**") and such other legislation to be set forth in the restructuring transaction notice to be posted on the website of Ernst & Young Inc., which is acting as monitor (the "**Monitor**"). Certain subsidiaries of ABH are also pursuing a parallel reorganization in the United States and have submitted a separate joint plan of reorganization under applicable United States bankruptcy laws (the "**U.S. Plan**" and, together with the CCAA Plan, the "**Plans**"). Effectiveness of the CCAA Plan is conditional upon the effectiveness of the U.S. Plan, and effectiveness of the U.S. Plan is conditional upon the effectiveness of the CCAA Plan.

Purpose of the CCAA Plan

The CCAA Plan is designed to:

(i) provide for a coordinated restructuring and compromise of the Applicants' debt obligations; and

(ii) reorganize and simplify the Applicants' corporate and capital structure.

The Plans are the result of an extensive review of the available alternatives by the Applicants and their financial and legal advisors, with the assistance of the Monitor and lengthy negotiations with the various creditor groups, regulators and other stakeholders.

We are now asking you to approve the CCAA Plan so that the Applicants or their successors can emerge as a viable going concern and focus their resources on serving their customers and building value for their stakeholders. We believe that the implementation of the Plans will contribute to ABH's positioning as a stable and long-term competitor in the forest products industry.

Recommendation of the Monitor and the CCAA Plan Applicants

Pursuant to the CCAA Plan, the Affected Unsecured Creditors are, for purposes of voting and distribution, grouped in classes based on their claims against certain of the Applicants (the "**CCAA Plan Applicants**"). The remaining Applicants have nominal assets or claims or do not have claims under the CCAA Plan.

The Monitor believes the CCAA Plan will produce a more favourable result for the Affected Unsecured Creditors as a whole than would a liquidation of the CCAA Plan Applicants' assets and operations in accordance with the assumptions set out in the Liquidation Analysis attached as Appendix F – "*Liquidation Analysis*" to the Circular (the "**Liquidation Analysis**"). Accordingly, the Monitor recommends that Affected Unsecured Creditors vote FOR the Resolution in respect of each class of Affected Unsecured Creditors to which they belong to approve the CCAA Plan. See the section of the Circular entitled "*Recommendation of the Monitor*".

The CCAA Plan Applicants also believe the CCAA Plan will produce a more favourable result for the Affected Unsecured Creditors as a whole than would a liquidation of the CCAA Plan Applicants' assets and operations in accordance with the assumptions set out in the Liquidation Analysis. Accordingly, the CCAA Plan Applicants recommend that Affected Unsecured Creditors vote FOR the Resolution in respect of each class of Affected Unsecured Creditors to which they belong to approve the CCAA Plan as more fully described in the section of the Circular entitled "*Recommendation of the CCAA Plan Applicants*".

Rights Offering

In connection with the CCAA Plan, Affected Unsecured Creditors may also have the right to participate in a rights offering (the "**Rights Offering**") and be eligible to subscribe for their proportionate share of up to US$500 million of convertible unsecured subordinated notes to be issued on the implementation date of the CCAA Plan, currently expected to be on October 14, 2010.

The attached Circular also contains information to allow you to make a decision whether to participate in the Rights Offering as more fully described in the Notice of Rights Offering and in the section of the Circular entitled "*Rights Offering*".

Creditors' Meetings

The attached Circular contains information to allow you to make a decision in respect of your vote at the Creditors' Meeting in respect of each class of Affected Unsecured Creditors to which you belong. To have your vote counted in respect of the Resolution for each of the classes of Affected Unsecured Creditors to which you belong, please complete each of the enclosed forms of proxy, and, if applicable, the election notice included in the forms of proxy (each, a "**Form of Proxy**"). A Form of Proxy must be sent to the Monitor by (a) first class mail in the pre-paid, pre-addressed return envelope provided with the Form of Proxy, (b) personal delivery, overnight courier, or first class mail, or (c) by facsimile or e-mail at the coordinates set out below, such that it is received at any time prior to 5:00 p.m. (Montreal time) on September 13, 2010 or at any time prior to 5:00 p.m. (Montreal time) on the Business Day immediately preceding the date set for any adjournment, postponement or rescheduling of the Creditors' Meeting in respect of each class of Affected Unsecured Creditors to which you belong, or deposited with the chair of the Creditors' Meeting in respect of each class of Affected Unsecured Creditors to which you belong prior to the commencement of such Creditors' Meeting or any adjournment, postponement or rescheduling thereof.

Should you have any questions regarding the vote or other procedures or matters with respect to the Creditors' Meetings, the CCAA Plan or the Rights Offering, please contact the Monitor as follows:

By telephone (toll-free):	1-866-246-7889
By mail:	Ernst & Young Inc. 800 René-Lévesque Blvd. West Suite 2000 Montreal, Québec H3B 1X9 Canada Attention: ABH et al. Creditors' Meetings
By facsimile:	514-879-3992
By email:	abitibibowater@ca.ey.com

Your vote at the Creditors' Meeting in respect of each class of Affected Unsecured Creditors to which you belong is important. Whether or not you expect to attend, please complete and return each of the enclosed Form of Proxy and, if applicable, the election notice included in the Form of Proxy, which will ensure that you are represented at the Creditors' Meeting in respect of the class to which you belong. We thank you for your continued support, cooperation and confidence in ABH throughout our restructuring process.

Yours truly,

(signed)

David J. Paterson
President and Chief Executive Officer

NOTICE TO UNITED STATES CREDITORS

This Notice of Creditors' Meetings and Information Circular dated August 2, 2010 (the "**Circular**") has been prepared in accordance with disclosure requirements and standards applicable in proceedings under the CCAA. Affected Unsecured Creditors should be aware that such requirements are different from those of the United States.

The financial information contained in Appendix G – "*Financial Projections*" is based, in part, on estimates of values and assumptions and does not purport to represent what the Company's actual financial position will be upon emergence from the CCAA Proceedings or represent what the fair value of the Company's assets and liabilities will be at the Implementation Date.

Unless otherwise indicated, terms defined in the section of the Circular entitled "*Glossary of Terms*" shall have the same meaning in this notice to United States Creditors.

Affected Unsecured Creditors should be aware that the receipt of the securities described herein pursuant to the CCAA Plan may have tax consequences both in the United States and in Canada. Such consequences for Affected Unsecured Creditors who are residents in, or citizens of, the United States may not be fully described in this Circular. See "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations*" for information concerning tax consequences of the CCAA Plan for Affected Unsecured Creditors who are U.S. taxpayers.

NEITHER THIS CIRCULAR NOR THE SECURITIES TO BE ISSUED PURSUANT TO THE CCAA PLAN OR THE RIGHTS OFFERING HAS BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY CANADIAN PROVINCIAL OR TERRITORIAL SECURITIES REGULATORY AUTHORITY NOR HAS THE SEC OR ANY SUCH CANADIAN SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE OF CREDITORS' MEETINGS

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
COURT NO: 500-11-036133-094

SUPERIOR COURT
Commercial Division
Designated tribunal under the Companies' Creditors Arrangement Act

IN THE MATTER OF THE PLAN OF REORGANIZATION AND COMPROMISE OF ABITIBIBOWATER INC. AND CERTAIN OF ITS SUBSIDIARIES.

NOTICE OF CREDITORS' MEETINGS

NOTICE IS HEREBY GIVEN that AbitibiBowater Inc. and certain of its subsidiaries listed in Appendix A – "*Applicants*" to the Notice of Creditors' Meetings and Information Circular dated August 2, 2010 (the "**Circular**") (collectively, the "**Applicants**") have filed with the Québec Superior Court of Justice, Commercial Division (the "**Court**") a plan of reorganization and compromise (as it may be amended, varied or supplemented by the Applicants from time to time in accordance with its terms and the terms of the Creditors' Meeting Order (as defined below), the "**CCAA Plan**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**"), the *Canada Business Corporations Act* (the "**CBCA**") and such other legislation to be set forth in the Restructuring Transactions Notice.

A copy of the CCAA Plan is attached as Appendix C – "*Plan of Reorganization and Compromise*" to the Circular. Unless otherwise indicated, terms defined in the section of the Circular entitled "*Glossary of Terms*" shall have the same meanings in this Notice of Creditors' Meetings.

The CCAA Plan contemplates the reorganization of the Applicants and the compromise of the Affected Claims of the Affected Unsecured Creditors.

NOTICE IS ALSO HEREBY GIVEN to Affected Unsecured Creditors that the Creditors' Meeting in respect of each Affected Unsecured Creditor Class will be held at the Hilton Montreal Bonaventure, 900 de La Gauchetière West, Montréal, Québec, H5A 1E4, Canada, at 10:00 a.m. (Montreal time), on September 14, 2010 for the purposes of:

(i) considering and, if thought advisable, adopting a resolution in respect of such Affected Unsecured Creditor Class to approve the CCAA Plan (the full text of which resolution is set out as Appendix B – "*Resolution*" to the Circular), with or without variation; and

(ii) transacting such other business as may properly come before such Creditors' Meeting.

Each Creditors' Meeting is being held pursuant to the Creditors' Meeting Order made on July 9, 2010 by the Honourable Danièle Mayrand of the Court and amended by an order made on July 21, 2010 by the Honourable Clément Gascon of the Court (the "**Creditors' Meeting Order**"). A copy of the Creditors' Meeting Order is set out as Appendix D – "*Creditors' Meeting Order and Cross-border Voting Protocol*" to the Circular.

Affected Unsecured Creditors who wish to vote on the Resolution, in respect of each of the Affected Unsecured Creditor Classes to which they belong, to approve the CCAA Plan must have submitted Proofs of Claim and proven their Claims in the manner and within the time specified in the Creditors' Meeting Order, the Cross-border Voting Protocol, the Claims Procedure Orders and the Cross-border Claims Protocol, copies of which are set out as Appendix D – "*Creditors' Meeting Order and Cross-border Voting Protocol*" and Appendix E – "*Claims Procedure Orders and Cross-border Claims Protocol*" to the Circular. Affected Unsecured Creditors who do not have Voting Claims or Disputed Claims that have been accepted for voting purposes in compliance with the Creditors' Meeting Order, the Cross-border Voting Protocol, the Claims Procedure Orders and the Cross-border Claims Protocol are not entitled to attend or vote at any Creditors' Meeting.

For the purpose of voting on and receiving distributions pursuant to the CCAA Plan, the Affected Claims are divided into classes, as set out in the CCAA Plan. In order for the CCAA Plan to become effective: (i) the CCAA Plan must be approved by the affirmative vote of a majority in number, representing not less than two-thirds in value of the Voting Claims, of Affected Unsecured Creditors voting in each Affected Unsecured Creditors Class (in person or by proxy), (ii) the U.S. Plan described in the Circular must become effective and be implemented in accordance with its terms; and (iii) the conditions to the implementation and effectiveness of the CCAA Plan (as described in the Circular) must be satisfied or waived.

Any Affected Unsecured Creditor who is entitled to vote at any Creditors' Meeting but is unable or does not intend to attend such Creditors' Meeting may vote by dating, signing and returning the enclosed forms of proxy (each, a "**Form of Proxy**") in the return envelope provided in accordance with the accompanying instructions. In order to be used at any Creditors' Meeting, a Form of Proxy must be received by the Monitor, Ernst & Young Inc., **by mail (using the pre-paid, pre-addressed return envelope provided with the Form of Proxy), first class mail, courier or personal delivery at the address set out below, such that it is received at any time prior to 5:00 p.m. (Montreal time) on September 13, 2010 or at any time prior to 5:00 p.m. (Montreal time) on the Business Day immediately preceding the date set for any adjournment, postponement or rescheduling of such Creditors' Meeting**, or by the Chair of the Creditors' Meeting prior to the commencement of such Creditors' Meeting or any adjournment, postponement or rescheduling thereof.

Each Affected Unsecured Creditors who intends to attend the Creditors' Meeting in respect of any Affected Unsecured Creditors Class to which it belongs and elects (i) to reduce for distribution purposes, its Proven Claims to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) in order to receive a Cash distribution in accordance with the CCAA Plan, or (ii) should its Proven Claims be equal to or less than Cdn$6,073, to receive shares of New ABH Common Stock in full and final satisfaction of its Proven Claims, must also complete and sign the election notice included in the Form of Proxy and retain or deposit it, as described above, with the Monitor or the Chair of the Creditors' Meeting prior to the commencement of such Creditors' Meeting or any adjournment, postponement or rescheduling thereof.

Affected Unsecured Creditors are responsible for obtaining proof of delivery, if required, of such Forms of Proxy. The Monitor will only accept Forms of Proxy that relate (with the exception of Joint Proxy/Ballots which are remitted to the Monitor by Cross-border Voting Creditors) to the CCAA Plan, and any voting ballot or other document relating to the U.S. Plan will be disregarded and discarded.

The Monitor's coordinates for the purpose of returning Forms of Proxy and for obtaining any additional information or materials related to any Creditors' Meeting are:

By telephone (toll-free):	1-866-246-7889
By registered mail:	Ernst & Young Inc. 800 René-Lévesque Blvd. West Suite 2000 Montreal, Québec H3B 1X9 Canada Attention: ABH et al. Creditors' Meetings
By facsimile:	514-879-3992
By email:	abitibibowater@ca.ey.com

Copies of documents related to the Creditors' Meetings will also be posted on the Monitor's website at www.ey.com/ca/abitibibowater.

NOTICE IS ALSO HEREBY GIVEN that in accordance with the CCAA, the Monitor shall file a report on the CCAA Plan and on the affairs of the Applicants with the Court on or before September 3, 2010. A copy of the Monitor's report will be made available at the Creditors' Meetings, and will be posted on the Monitor's website at www.ey.com/ca/abitibibowater as soon as practicable after it is filed with the Court.

NOTICE IS ALSO HEREBY GIVEN that if the CCAA Plan is approved by the Affected Unsecured Creditors of each Affected Unsecured Creditor Class, and all other necessary conditions of the CCAA Plan are satisfied or waived, the Applicants intend to file a motion presentable before the Court on September 20, 2010 at 10:00 a.m. (Montreal time) seeking an order sanctioning the CCAA Plan pursuant to the CCAA, the CBCA and such other legislation to be set forth in the Restructuring Transaction Notice (the "**Sanction Order**"), and to file a motion for recognition of the said Sanction Order in accordance with the provisions of Chapter 15 of the U.S. Bankruptcy Code, without further notice. A copy of the motion for the Sanction Order will be posted on the Monitor's website, at www.ey.com/ca/abitibibowater, as soon as practicable after it is filed with the Court. Any Person intending to object to the motion seeking the Sanction Order must file with the Court, before noon (Montreal time) on September 17, 2010, a written notice containing a description of its proposed grounds of contestation and shall effect service of same, within the same delay, to counsel to the Applicants and the Monitor, and to those persons listed on the Applicants' service list posted on the Monitor's website at www.ey.com/ca/abitibibowater.

DATED at Montreal, Québec, this 2nd day of August, 2010.

ERNST & YOUNG INC., in its capacity as the
Monitor appointed by the Court in the matter of the
proposed plan of reorganization and compromise of
AbitibiBowater Inc. et al.

IMPORTANT INFORMATION

This Circular contains important information that should be read before any decision is made with respect to the matters referred to herein. Unless otherwise indicated, the information presented in this Circular is given as at June 30, 2010. All summaries of and references to the CCAA Plan in this Circular are qualified in their entirety by references to the text of the CCAA Plan, which is set out in Appendix C – "*Plan of Reorganization and Compromise*" to this Circular. Capitalized terms, except as otherwise defined in this Circular, are defined in the section of this Circular entitled "*Glossary of Terms*".

No Person is authorized to give any information or to make any representation in respect of the CCAA Plan not contained in this Circular and, if given or made, such information or representation should not be relied upon. This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities described in this Circular, or the solicitation of a proxy, in any jurisdiction in which such an offer or solicitation is not authorized, to or from any Person to or from whom it is unlawful to make such offer or solicitation. Neither the delivery of this Circular nor any distribution of the securities delivered pursuant to the CCAA Plan will, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Circular.

The initial issuance of shares of New ABH Common Stock to Affected Unsecured Creditors and the exercise of Subscription Rights by Eligible Holders pursuant to the CCAA Plan will not be qualified by prospectus under applicable Canadian securities Laws or registered under the United States Securities Act of 1933 (the "**U.S. Securities Act**") or the securities Laws of any state of the United States. Such securities will instead be issued in reliance upon prospectus exemptions available under applicable Canadian securities Laws and Section 3(a)(10) of the U.S. Securities Act and/or other available exemptions under U.S. federal and state securities Laws. These securities will be generally freely tradable in Canada subject to the restrictions more fully described in "*Other Considerations – Canadian Securities Law Considerations*". These securities will be generally freely transferable under United States federal securities Laws, except for securities held by persons who are deemed to be "underwriters" as defined in Section 2(a)(11) of the U.S. Securities Act of the Applicants or Reorganized ABH prior to or after the implementation of the CCAA Plan. Such securities held by "underwriters" may be resold by them only pursuant to an effective registration statement filed under the U.S. Securities Act or pursuant to an exemption from the registration requirements of the U.S. Securities Act permitted by the resale provisions of Rule 144 or Regulation S under the U.S. Securities Act or as otherwise permitted under the U.S. Securities Act. See "*Other Considerations – United States Securities Law Considerations*".

Affected Unsecured Creditors should carefully consider the income tax consequences of the CCAA Plan described herein. See "*Income Tax Considerations*" below. Affected Unsecured Creditors should not construe the contents of this Circular as investment, legal or tax advice. Affected Unsecured Creditors should consult their own counsel, accountants and other advisors as to the legal, tax, business, financial and other aspects of the CCAA Plan.

WHERE YOU CAN FIND MORE INFORMATION

ABH files reports and other information with the SEC. ABH also files reports and other information with various securities commissions or similar regulatory authorities in all the provinces and territories of Canada. You may read and copy reports or other information ABH has filed with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, D.C., 20549, United States. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. These filings are also available to the public through the website maintained by the SEC at http://www.sec.gov and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This Circular includes forward-looking statements that involve risks and uncertainties. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Company's future prospects, developments and business strategies. Forward-looking statements may be identified by the use of forward-looking terminology such as the words "should", "would", "could", "expect", "believe", "anticipate", "attempt", "intend", "may", "plan", "predict", "project", "will" and other terms with similar meaning indicating possible future events or potential impact on our business or AbitibiBowater's shareholders.

The reader is cautioned not to place undue reliance on these forward-looking statements, which are not guarantees of future performance. These statements are based on management's current assumptions, beliefs and expectations, all of which involve a number of business risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include those described below under "*Risk Factors*".

All forward-looking statements in this Circular are expressly qualified by the cautionary statements contained or referred to in this Circular. We disclaim any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Statements in this Circular that are not reported financial results or other historical information of AbitibiBowater are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of the safe harbor provisions of Canadian securities legislation. These statements contain potential risks and uncertainties, and actual results may therefore differ materially from those expressed or implied by the forward-looking statements. Important factors that may affect these expectations include, but are not limited to, the factors listed in the "*Risk Factors*" section of this Circular. Readers should evaluate any statements in light of these important factors. See "*Risk Factors*".

REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

The financial information regarding ABH and the Applicants contained in this Circular has been prepared in accordance with U.S. GAAP.

In this Circular, unless otherwise stated, all references to "$" or "U.S. dollars" refer to United States dollars and all references to "Cdn$" or "Canadian $" refer to Canadian dollars.

EXCHANGE RATES

Exchanging Canadian Dollars. The following table sets forth, for each period indicated, the high and low exchange rates for one Canadian dollar during that period, the average of the exchange rates during that period and the exchange rate at the end of that period, in each case expressed in U.S. dollars, based upon the inverse noon spot rate of the Bank of Canada:

	Year Ended December 31,			
	2009	**2008**	**2007**	**2006**
High	0.9716	1.0289	1.0905	0.9099
Low	0.7692	0.7711	0.8437	0.8528
Average	0.8757	0.9381	0.9304	0.8818
Period End	0.9555	0.8166	1.0120	0.8581

	For the 6 months Ended June 30,		
	2010	**2009**	**2008**
High	1.0039	0.9236	1.0289
Low	0.9278	0.7692	0.9686
Average	0.9673	0.8290	0.9929
Period End	0.9429	0.8602	0.9817

On July 30, 2010, the last trading day prior to the date of this Circular, the exchange rate for one Canadian dollar expressed in U.S dollars, based upon the inverse noon buying rate of the Bank of Canada, was $0.9718.

Exchanging U.S. Dollars. The following table sets forth, for each period indicated, the high and low exchange rates for one U.S. dollar during that period, the average of the exchange rates during that period and the exchange rate at the end of that period, in each case expressed in Canadian dollars, based upon the noon buying rate of the Bank of Canada:

	Year Ended December 31,			
	2009	**2008**	**2007**	**2006**
High	1.3000	1.2969	1.1853	1.1726
Low	1.0292	0.9719	0.9170	1.0990
Average	1.1420	1.0660	1.0748	1.1341
Period End	1.0466	1.2246	0.9881	1.1653

	For the 6 Months Ended June 30,		
	2010	**2009**	**2008**
High	1.0778	1.3000	1.0324
Low	0.9961	1.0827	0.9719
Average	1.0338	1.2062	1.0072
Period End	1.0606	1.1625	1.0186

On July 30, 2010, the last trading day prior to the date of this Circular, the exchange rate for one U.S. dollar expressed in Canadian dollars, based upon the noon buying rate of the Bank of Canada, was Cdn$1.0290.

SUMMARY

This summary highlights selected information from this Circular to help Affected Unsecured Creditors understand the CCAA Plan in order to vote on the Resolution in respect of each Affected Unsecured Creditor Class to which they belong and to decide whether to participate in the Rights Offering. Affected Unsecured Creditors should read this Circular carefully in its entirety to understand the terms of the CCAA Plan as well as tax and other considerations that may be important to them in deciding whether to approve the CCAA Plan and whether to participate in the Rights Offering. Affected Unsecured Creditors should note, however, that the governing document is the CCAA Plan. Affected Unsecured Creditors should also pay special attention to the "Risk Factors" section of this Circular. The following summary is qualified in its entirety by reference to the detailed information contained elsewhere in this Circular including its Appendices, and in the CCAA Plan which is attached as Appendix C – "Plan of Reorganization and Compromise" to this Circular. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the "Glossary of Terms".

Creditors' Meetings

A meeting of the Affected Unsecured Creditors in respect of each Affected Unsecured Creditor Class with Voting Claims or Disputed Claims that have been accepted for voting purposes in compliance with the Creditors' Meeting Order will be held at 10:00 a.m. (Montreal time) on September 14, 2010 at the Hilton Montreal Bonaventure, 900 de La Gauchetière West, Montréal, Québec, H5A 1E4, Canada. The purpose of the meeting is to consider and, if thought advisable, adopt, with or without variation, the Resolution in respect of each Affected Unsecured Creditor Class to approve the CCAA Plan proposed by the Applicants. A copy of the CCAA Plan is attached as Appendix C – "*Plan of Reorganization and Compromise*" to this Circular.

Affected Unsecured Creditors who wish to vote on the Resolution in respect of each Affected Unsecured Creditor Class to which they belong to approve the CCAA Plan must have submitted Proofs of Claim, or must have had such Proofs of Claim submitted on their behalf, on or before the Claims Bar Dates, and must have proved their Claims in the manner and within the time specified in the Creditors' Meeting Order, the Cross-border Voting Protocol, the Claims Procedure Orders and the Cross-border Claims Protocol, copies of which are set out in Appendix D – "*Creditors' Meeting Order and Cross-border Voting Protocol*" and Appendix E – "*Claims Procedure Orders and Cross-border Claims Protocol*" to this Circular, respectively. Affected Unsecured Creditors who do not have Voting Claims or Disputed Claims that have been accepted for voting purposes in compliance with the Creditors' Meeting Order, the Cross-border Voting Protocol, the Claims Procedure Orders and the Cross-border Claims Protocol are not entitled to attend or vote at any Creditors' Meeting or to receive distributions under the CCAA Plan. The procedure for valuing Affected Claims for voting and distribution purposes and resolving disputes in respect of any such valuation is set forth in the Creditors' Meeting Order, the Cross-border Voting Protocol, the Claims Procedure Orders, the Cross-border Claims Protocol and the CCAA Plan.

Subject to certain deeming provisions on voting, for the purpose of voting on and receiving distributions pursuant to the CCAA Plan, the Affected Claims are divided into 20 classes, as set out in the CCAA Plan. In order for the CCAA Plan to become effective: (i) the CCAA Plan must be approved by the affirmative vote of a majority in number, representing not less than two-thirds in value of the Voting Claims, of Affected Unsecured Creditors voting in each Affected Unsecured Creditor Class (in person or by proxy), the whole subject to the No Vote Occurrence described in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*"; (ii) the U.S. Plan described in this Circular must become effective and be implemented in accordance with its terms; and (iii) the other conditions to the implementation and effectiveness of the CCAA Plan as described in this Circular must be satisfied or waived.

Any Affected Unsecured Creditor who is entitled to vote at any Creditors' Meeting but is unable or does not intend to attend such Creditors' Meeting may vote by dating, signing and returning the enclosed Form of Proxy in the return envelope provided in accordance with the accompanying instructions. In order to be used at any Creditors' Meeting, a Form of Proxy must be sent to the Monitor, Ernst & Young Inc., by (a) first class mail in the pre-paid, pre-addressed return envelope provided with the Form of Proxy, or (b) personal delivery, overnight courier, or first class mail, or (c) by facsimile or e-mail at the coordinates set out below, such that it is received at any time prior to 5:00 p.m. (Montreal time) on September 13, 2010 or at any time prior to 5:00 p.m. (Montreal time) on the Business Day immediately preceding the date set for any adjournment, postponement or rescheduling of any Creditors' Meeting:

By mail:	Ernst & Young Inc. 800 René-Lévesque Blvd. West Suite 2000 Montreal, Québec H3B 1X9 Canada Attention: ABH et al. Creditors' Meeting
By facsimile:	514-879-3992
By e-mail:	abibitibowater@ca.ey.com

Forms of Proxy may also be deposited with the Chair prior to the commencement of any Creditors' Meeting or any adjournment, postponement or rescheduling thereof. Forms of Proxy submitted by facsimile or other electronic submission will not be counted.

Each Affected Unsecured Creditor returning or depositing a Form of Proxy as described above and eligible to make the election in the Election Notice may indicate in the Election Notice if it wishes to elect, as provided for in the CCAA Plan, (i) to reduce, for distribution purposes only, the aggregate Face Amount of its Proven Claims to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) in order to receive a Cash distribution of Cdn$3,036.50 (being 50% of Cdn$6,073) in full and final satisfaction of its Proven Claims, or (ii) should the aggregate Face Amount of its Proven Claims be equal to or less than Cdn$6,073, to receive its Pro Rata share of New ABH Common Stock, subject to Dilution and, to the extent eligible and subject to the Section 1145 Cutback, its Pro Rata share of Subscription Rights in full and final satisfaction of its Proven Claims. The provisions of the CCAA Plan pertaining to such election are further described in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*" herein. Each Affected Unsecured Creditor who intends to attend any Creditors' Meeting and wishes to elect (i) to reduce its Proven Claims to Cdn$6,073 to obtain a Cash distribution, or (ii) to receive its Pro Rata share of New ABH Common Stock, subject to Dilution and, to the extent eligible and subject to the Section 1145 Cutback, its Pro Rata share of Subscription Rights in the case where its Proven Claims are equal to or less than Cdn$6,073, must complete and sign the Election Notice and deposit it with the Monitor or the Chair of the Creditors' Meeting before the commencement of such Creditors' Meeting.

See "*Creditors' Meetings and Voting Instructions*" for further details and instructions on the voting procedure at the Creditors' Meetings.

AbitibiBowater Inc.

ABH was created by the October 29, 2007 combination of Bowater and ACI in a merger of equals under the Laws of Delaware. As a result, Bowater and ACI became Subsidiaries of ABH. Excluding facilities ABH has permanently closed, ABH owns or operates 22 pulp and paper manufacturing facilities located in Canada, the United States and South Korea and has 24 wood products facilities in Canada. ABH produces a wide variety of newsprint, coated specialty papers, market pulp and wood products, which are marketed in over 90 countries.

The registered office of ABH is located at 1209 Orange Street, Wilmington, Delaware, 19801, United States, and the principal office is located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Abitibi-Consolidated Inc.

ACI, a subsidiary of ABH, produces a wide range of newsprint, specialty papers and wood products globally. The registered and principal offices of ACI are located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Abitibi-Consolidated Company of Canada

ACCC was created by way of an amalgamation in March 1997 under the Laws of Québec. ACCC is a wholly-owned Subsidiary of ACI. ACCC has no operations that are independent of ACI and substantially all of its sales are made to ACI and its affiliated companies. ACCC produces a wide range of newsprint, speciality papers and wood products globally. Excluding facilities ABH has permanently closed, ACCC currently owns or operates 11 paper facilities and 19 wood products facilities in North America and seven hydroelectric facilities in the province of Québec. The registered and principal offices of ACCC are located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Bowater Canadian Forest Products Inc.

BCFPI, an indirect subsidiary of ABH, operates paper-manufacturing sites in Canada and, through a subsidiary, a paper-manufacturing site in Korea. BCFPI also supplies wood to paper mills and sawmills in Canada and is responsible for the marketing and sales of Canadian lumber products. The registered office of BCFPI is located at 1959 Upper Water Street, Suite 900, Halifax, Nova Scotia, B3J 2X2, Canada, and the principal office is located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Background to the CCAA Plan

This Circular contains, among other things, descriptions and summaries of the CCAA Plan being proposed by the Applicants. **Certain provisions of the CCAA Plan, and thus the descriptions and summaries contained herein, are the subject of continuing negotiations among the Applicants and various other stakeholders and have not been fully agreed upon and may be modified. Furthermore, the Applicants anticipate that the terms of the CCAA Plan and, among others, the treatment of recoveries thereunder, may be modified, including but not limited to, to conform with the terms of the U.S. Plan.**

On April 16, 2009 and December 21, 2009, the U.S. Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. As discussed in more detail below, on the Date of Filing, the Applicants commenced proceedings before the Court for a plan of compromise and reorganization under the CCAA and two of the Applicants, ACI and ACCC, also filed petitions for recognition under Chapter 15 of the Bankruptcy Code. Finally, the 18.6 Petitioners filed for ancillary relief in support of the Chapter 11 Cases under section 18.6 of the CCAA.

Since the Date of Filing, the Applicants, together with the U.S. Debtors, have undertaken a careful review of their business operations and implemented various restructuring efforts, including the sale of ACCC's interest in MPCo and numerous other sales of assets and cost saving initiatives in an effort to improve the business results and financial condition. The Applicants and the U.S. Debtors engaged in detailed discussions with their Unions and each of the ACCC Term Lenders, the BCFPI Lenders, the BI DIP Lenders, the Securitization Facility agent, the Ad Hoc Unsecured Noteholders Committee, the holders of Canadian Secured Notes and the Unsecured Creditors' Committee appointed in the Chapter 11 Cases, regarding the terms of a potential restructuring of the Company's capital structure.

The Applicants have now reached an agreement with certain of their principal creditors regarding a restructuring of their obligations that the Applicants believe will enable them to emerge from the Insolvency Proceedings with the ability to carry out their business and maximize the recovery to holders of Affected Unsecured Claims.

Status of Claims Process

As of July 25, 2010, since the issuance of the Claims Procedure Orders, the Monitor has received 7,527 Claims aggregating approximately Cdn$76.7 billion of which approximately Cdn$67.3 billion are unsecured Claims.

For a description of the status of Claims received for distribution purposes, see "*The CCAA Plan – Claims and Voting Process – Status of Claims Process*".

The CCAA Plan

The CCAA Plan is designed to:

(i) provide for a coordinated restructuring and compromise of the Applicants' debt obligations; and

(ii) reorganize and simplify the Applicants' corporate and capital structure.

Subject to certain deeming provisions on voting, for the purpose of voting on, and distributions pursuant to, the CCAA Plan, the Affected Claims are divided into 20 classes as set out below:

- the ACI Affected Unsecured Creditor Class;
- the ACCC Affected Unsecured Creditor Class;
- the 15.5% Guarantor Applicant Affected Unsecured Creditor Classes, being 10 classes of Affected Unsecured Creditors grouped in accordance with their Affected Claims against each of the 15.5% Guarantor Applicants, which Affected Claims only include 15.5% Senior Unsecured Notes Claims;
- the Saguenay Forest Products Affected Unsecured Creditor Class;
- the BCFPI Affected Unsecured Creditor Class;
- the BCFC Affected Unsecured Creditor Class;
- the AbitibiBowater Canada Affected Unsecured Creditor Class;
- the Bowater Maritimes Affected Unsecured Creditor Class;
- the ACNSI Affected Unsecured Creditor Class;
- the Office Products Affected Unsecured Creditor Class; and
- the Recycling Affected Unsecured Creditor Class.

Treatment of Affected Unsecured Creditors

In accordance with the CCAA Plan, each Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000), or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim, a distribution, as set forth in the paragraph below.

In accordance with the CCAA Plan and except for those Affected Unsecured Creditors whose Proven Claims are equal to or less than Cdn$6,073 or who elect to reduce the Face Amount of their Proven Claim to Cdn$6,073, and who have not elected to receive shares of New ABH Common Stock and Subscription Rights, each Affected Unsecured Creditor comprised in an Affected Unsecured Creditor Class will receive in full and final satisfaction of its Proven Claim in respect of such Affected Unsecured Creditor Class, (A) its Pro Rata share of the number of shares of New ABH Common Stock, subject to Dilution, set forth against the name of the corresponding Applicant in the applicable Schedule of the CCAA Plan attached to this Circular as Appendix C – "*Plan of Reorganization and Compromise*", and (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to the corresponding Applicant. The treatment of a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against the concerned Applicants is described in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*".

See "*The CCAA Plan – Description of the CCAA Plan – Restructuring*".

<u>Treatment of Unaffected Creditors</u>

Generally, Unaffected Creditors will be repaid in full by the Applicants on, or as soon as practicable after, the Implementation Date.

The Applicants will also, as soon as practicable on or after the Implementation Date, make a Supplemental Distribution in Cash in a maximum individual amount to be determined by the Applicants, in consultation with the Monitor, to such present and former employees: (i) who were employed by the Applicants, other than the Cross-border Debtors, on or after the Date of Filing, and (ii) who are holding an Affected Unsecured Claim that is a Proven Claim; <u>provided</u>, <u>however</u>, that the aggregate amount payable hereunder shall not exceed Cdn$ five million.

See "*The CCAA Plan – Description of the CCAA Plan – Restructuring*".

<u>Claims not Subject to the CCAA Plan</u>

The CCAA Plan does not affect the Excluded Claims, which include CCAA Charge Claims, Administrative Claims, Secured Claims, Securitization Claims, Inter-company Claims (subject to Subsection 2.5(c) of the CCAA Plan), Excluded Employee Claims, Post-filing Claims, any Insured Claim that is not a Proven Claim but only to the extent of the coverage available to the Applicants under any applicable Insurance Contract (excluding any applicable deductible), Government Priority Claims and Claims, Subsequent Claims or Restructuring Claims ordered by the Court to be treated as Excluded Claims for the purpose of the CCAA Plan.

Creditors with Excluded Claims will not be entitled to attend or vote at any Creditors' Meeting or receive any distribution under the CCAA Plan in respect of the portion of their Claims which is an Excluded Claim.

See "*The CCAA Plan – Description of the CCAA Plan – Restructuring*".

No Double Recovery on Allowed Cross-border Claims

Without limitation to the provisions of any Law prohibiting double recovery, for each Allowed Cross-border Claim, (i) there shall only be a single recovery on account of such Allowed Cross-border Claim under the CCAA Plan and the U.S. Plan, and (ii) the aggregate distribution which such Allowed Cross-border Claim shall receive, whether under the CCAA Plan or the U.S. Plan or a combination of both, shall not exceed the greatest distribution which such Allowed Cross-border Claim would be entitled to receive under the CCAA Plan or the U.S. Plan.

Conditions to Implementation of the CCAA Plan

The implementation of the CCAA Plan by the Applicants is subject to the satisfaction of certain conditions precedent, including, among others, the following:

- the approval of the CCAA Plan by the Required Majorities shall have been obtained;
- the Sanction Order sanctioning the CCAA Plan, in form and substance satisfactory to the Applicants and the Monitor, shall have been made and entered and the operation and effect of the Sanction Order will not have been stayed, reversed or amended;
- the Exit Loan Facilities and all related agreements and other documents shall have become effective subject only to the implementation of the CCAA Plan;
- the Backstop Commitment Agreement entered into in connection with the Rights Offering shall not have been terminated;
- all applicable approvals, certificates, rulings, permits, consents, notices and orders of, and all applicable submissions and filings with any or all Governmental Entities and stock exchanges having jurisdiction for the completion of the transactions contemplated by the CCAA Plan shall have been obtained or made, as the case may be, by the Applicants, in each case to the extent deemed necessary or advisable by the Applicants in form and substance satisfactory to the Applicants;
- certain agreements with Unions shall have been executed and ratified and regulations for funding relief in respect of certain of the Company's pension plans in Ontario and Québec will have been adopted to the satisfaction of the Applicants; and
- all conditions precedent to the implementation of the U.S. Plan but for the implementation of the CCAA Plan will have been satisfied or waived, such conditions being similar to the conditions precedent to the implementation of the CCAA Plan.

Court Approval and Sanction Hearing

If the CCAA Plan is approved by the Affected Unsecured Creditors of each Affected Unsecured Creditor Class and all other necessary conditions have been satisfied or waived, the Applicants intend to bring a motion presentable before the Court on September 20, 2010 seeking an order sanctioning the CCAA Plan pursuant to the CCAA, the CBCA and such other legislation to be set forth in the Restructuring Transactions Notice. Any Person intending to object to the motion seeking the Sanction Order must file with the Court, before noon (Montreal time) on September 17, 2010, a written notice containing a description of its proposed grounds of contestation and shall effect service of same, within the same delay, to counsel to the Applicants and the Monitor, and to those persons listed on the Applicants' service list published on the Monitor's Website.

Liquidation Analysis

The Monitor, with the assistance of the Applicants, has prepared an illustrative estimate of the net realizable value of the Assets of the CCAA Plan Applicants.

See Appendix F – "*Liquidation Analysis*".

Exit Loan Facilities

It is a condition precedent to the CCAA Plan becoming effective that the Exit Loan Facilities, being the ABL Exit Financing Facility and the Term Loan Exit Financing Facility, be established.

See "*Exit Loan Facilities*".

Rights Offering

Eligible Affected Unsecured Creditors are entitled to participate in the Rights Offering for their proportionate share of up to $500 million of Rights Offering Notes to be issued by Reorganized ABH on the Implementation Date.

See "*Rights Offering*".

Reorganized ABH

The CCAA Plan contemplates that Reorganized ABH will emerge as the parent holding company under which the Reorganized Debtors will be held directly or indirectly. Reorganized ABH will also be the parent holding company under which the reorganized U.S. Debtors will be held directly or indirectly.

See "*Reorganized ABH*".

Risk Factors

Affected Unsecured Creditors should carefully consider certain risk factors relating, among other things, to the likelihood of the CCAA Plan being implemented or failing to be implemented, the business of ABH and the Applicants, the New ABH Common Stock, the Rights Offering and the Rights Offering Notes.

See "*Risk Factors*".

Income Tax Considerations

Certain tax considerations for Affected Unsecured Creditors are described in "*Income Tax Considerations*". Affected Unsecured Creditors should consult their own tax advisors with respect to their individual circumstances.

See "*Income Tax Considerations*".

Exchange Listings

Reorganized ABH and the Applicants will use their reasonable best efforts to cause the shares of New ABH Common Stock to be listed on the NYSE, the NASDAQ and/or the TSX.

Recommendations of the Monitor and the CCAA Plan Applicants

For the reasons set out in "*Recommendation of the Monitor*", "*Recommendation of the CCAA Plan Applicants*" and the Monitor's Report (to be filed with the Court on or before September 3, 2010), each of the Monitor and the CCAA Plan Applicants recommends that Affected Unsecured Creditors vote FOR the Resolution in respect of each Affected Unsecured Creditor Class to which they belong to approve the CCAA Plan.

Additional Information and Inquiries

ABH files periodic reports and other information with the CSA and the SEC. These reports include certain financial and statistical information about ABH and may be accompanied by exhibits. This information may be found on ABH's website at www.abitibibowater.com, on the CSA website at www.sedar.com and on the EDGAR section of the SEC's website at www.sec.gov.

GLOSSARY OF TERMS

Unless otherwise defined or the context otherwise requires, capitalized terms used in this Circular shall have the following meanings and words importing the singular number only, include the plural and vice versa and words importing any gender include all genders.

"**0% Unsecured Notes**" means the 0% Unsecured Notes due 2012 issued by ACCC pursuant to the 0% Unsecured Notes Note Agreement;

"**0% Unsecured Notes Note Agreement**" means the note agreement dated as of May 28, 2004 between ACCC, as issuer, and Investissement Québec, as lender;

"**6.00% Senior Notes**" means the 6.00% Senior Notes due June 20, 2013 issued by ACCC pursuant to the 6.00% Senior Notes Indenture;

"**6.00% Senior Notes Indenture**" means the indenture dated as of December 11, 2001, as supplemented, between ACCC, as issuer, and the 6.00% Senior Notes Indenture Trustee;

"**6.00% Senior Notes Indenture Trustee**" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 6.00% Senior Notes Indenture;

"**7.40% Debentures**" means the 7.40% Debentures due April 1, 2018 issued by ACI pursuant to the 7.40% Debentures Indenture;

"**7.40% Debentures Indenture**" means the indenture dated as of April 6, 1998, as supplemented, between ACI, as issuer, and the 7.40% Debentures Indenture Trustee;

"**7.40% Debentures Indenture Trustee**" means Computershare Trust Company of Canada, as successor trustee to Montreal Trust Company and its successors and assigns, as indenture trustee under the 7.40% Debentures Indenture;

"**7.50% Debentures**" means the 7.50% Debentures due April 1, 2028 issued by ACI pursuant to the 7.50% Debentures Indenture;

"**7.50% Debentures Indenture**" means the indenture dated as of April 6, 1998, as supplemented, between ACI, as issuer, and the 7.50% Debentures Indenture Trustee;

"**7.50% Debentures Indenture Trustee**" means Computershare Trust Company of Canada, as successor trustee to Montreal Trust Company and its successors and assigns, as indenture trustee under the 7.50% Debentures Indenture;

"**7.75% Notes**" means the 7.75% Notes due June 15, 2011 issued by ACCC pursuant to the 7.75% Notes Indenture;

"**7.75% Notes Indenture**" means the indenture dated as of June 15, 2004, as supplemented, among ACCC, as issuer, and the 7.75% Notes Indenture Trustee;

"**7.75% Notes Indenture Trustee**" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 7.75% Senior Notes Indenture;

"**7.875% Notes**" means the 7.875% Notes due August 1, 2009 issued by ACF LP pursuant to the 7.875% Notes Indenture;

"**7.875% Notes Indenture**" means the indenture dated as of July 26, 1999, as supplemented, between ACF LP and ACI, as issuers, and the 7.875% Notes Indenture Trustee;

"**7.875% Notes Indenture Trustee**" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 7.875% Senior Notes Indenture;

"**7.95% Notes**" means the 7.95% Notes due November 15, 2011 issued by BCFC pursuant to the 7.95% Notes Indenture;

"**7.95% Notes Guaranty**" has the ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Adversary Proceedings*";

"**7.95% Notes Indenture**" means the indenture dated as of October 31, 2001, as supplemented, between BCFC, as issuer, and the 7.95% Notes Indenture Trustee;

"**7.95% Notes Indenture Trustee**" means The Bank of New York and its successors and assigns, as indenture trustee under the 7.95% Notes Indenture;

"**8.375% Senior Notes**" means the 8.375% Senior Notes due April 1, 2015 issued by ACCC pursuant to the 8.375% Senior Notes Indenture;

"**8.375% Senior Notes Indenture**" means the indenture dated as of December 11, 2001, as supplemented, between ACCC, as issuer, and the 8.375% Senior Notes Indenture Trustee;

"**8.375% Senior Notes Indenture Trustee**" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 8.375% Senior Notes Indenture;

"**8.50% Debentures**" means the 8.50% Debentures due August 1, 2029 issued by ACI pursuant to the 8.50% Debentures Indenture;

"**8.50% Debentures Indenture**" means the indenture dated as of July 26, 1999, as supplemented, between ACI and ACF LP, as issuers, and the 8.50% Debentures Indenture Trustee;

"**8.50% Debentures Indenture Trustee**" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 8.50% Debentures Indenture;

"**8.55% Senior Notes**" means the 8.55% Senior Notes due August 1, 2010 issued by ACI pursuant to the 8.55% Senior Notes Indenture;

"**8.55% Senior Notes Indenture**" means the indenture dated as of July 26, 1999, as supplemented, between ACI and ACF LP, as issuers and the 8.55% Senior Notes Indenture Trustee;

"**8.55% Senior Notes Indenture Trustee**" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 8.55% Senior Notes Indenture;

"**8.85% Debentures**" means the 8.85% Debentures due April 1, 2030 issued by ACI pursuant to the 8.85% Debentures Indenture;

"**8.85% Debentures Indenture**" means the indenture dated as of July 26, 1999, as supplemented, among ACI and ACF LP, as issuers, and the 8.85% Debentures Indenture Trustee;

"**8.85% Debentures Indenture Trustee**" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the 8.85% Debentures;

"**10.26% Senior Notes (Series D)**" means the 10.26% Senior Notes (Series D) due January 15, 2011 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.26% Senior Notes (Series D) Note Agreement;

"**10.26% Senior Notes (Series D) Note Agreement**" means the note agreement dated as of November 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto;

"**10.50% Senior Notes (Series B)**" means the 10.50% Senior Notes (Series B) due June 15, 2010 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.50% Senior Notes (Series B) Note Agreement;

"**10.50% Senior Notes (Series B) Note Agreement**" means the note agreement dated as of June 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto;

"**10.60% Senior Notes (Series C)**" means the 10.60% Senior Notes (Series C) due January 15, 2011 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.60% Senior Notes (Series C) Note Agreement;

"**10.60% Senior Notes (Series C) Note Agreement**" means the note agreement dated as of November 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto;

"**10.625% Senior Notes (Series A)**" means the 10.625% Senior Notes (Series A) due June 15, 2010 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.625% Senior Notes (Series A) Note Agreement;

"**10.625% Senior Notes (Series A) Note Agreement**" means the note agreement dated as of June 1, 1990, as supplemented, between BCFPI, as issuer, and the parties thereto;

"**10.85% Debentures**" means the 10.85% Debentures due November 30, 2014 issued by BCFPI (f/k/a Canadian Pacific Forest Products Limited) pursuant to the 10.85% Debentures Indenture;

"**10.85% Debentures Indenture**" means the trust indenture dated as of December 12, 1989, as supplemented, between BCFPI (f/k/a Canadian Pacific Forest Products Limited), as issuer, and the 10.85% Debentures Indenture Trustee;

"**10.85% Debentures Indenture Trustee**" means Computershare Trust Company of Canada, as successor trustee to Montreal Trust Company and its successors and assigns, as indenture trustee under the 10.85% Debentures Indenture;

"**15.5% Guarantor Applicant**" means any of 3224112 Nova Scotia Limited, Marketing Donohue Inc., 3834328 Canada Inc., 6169678 Canada Inc., 1508756 Ontario Inc., The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd., Terra Nova Explorations Ltd. and Abitibi-Consolidated (U.K.) Inc.;

"**15.5% Guarantor Applicant Affected Unsecured Claim**" means any Affected Claim against a 15.5% Guarantor Applicant;

"**15.5% Guarantor Applicant Affected Unsecured Creditor**" means any creditor that is the Holder of a 15.5% Guarantor Applicant Affected Unsecured Claim;

"**15.5% Guarantor Applicant Affected Unsecured Creditor Class**" means, in respect of each 15.5% Guarantor Applicant, the class of creditors grouped in accordance with their Affected Claims against such 15.5% Guarantor Applicant for the purpose of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, each class being comprised solely of the 15.5% Guarantor Applicant Affected Unsecured Creditors that are Holders of an Affected Claim against such 15.5% Guarantor Applicant;

"**15.5% Pro Rata**" means, at any time, the proportion that the Face Amount of a 15.5% Senior Unsecured Notes Claim in a particular class bears to the aggregate Face Amount of all 15.5% Senior Unsecured Notes Claims in such class (including Disputed Claims but excluding any Disallowed Claims);

"**15.5% Senior Unsecured Notes**" means the 15.5% Senior Unsecured Notes due July 15, 2010 issued by ACCC pursuant to the 15.5% Senior Unsecured Notes Indenture;

"**15.5% Senior Unsecured Notes Claim**" means any Affected Claim against any 15.5% Guarantor Applicant, ACI, ACCC, Saguenay Forest Products, ACNSI, Office Products or Recycling pursuant to the 15.5% Senior Unsecured Notes;

"**15.5% Senior Unsecured Notes Creditor**" means any creditor that is the Holder of a 15.5% Senior Unsecured Note Claim;

"**15.5% Senior Unsecured Notes Indenture**" means the indenture dated as of April 1, 2008, as supplemented, between ACCC, as issuer, and the 15.5% Senior Unsecured Notes Indenture Trustee;

"**15.5% Senior Unsecured Notes Indenture Trustee**" means Wilmington Trust Company, as successor indenture trustee to Wells Fargo Bank, National Association and its successors and assigns, as indenture trustee, under the 15.5% Senior Unsecured Notes Indenture;

"**18.6 Petitioners**" has the meaning ascribed to such term in the Initial Order;

"**2010 Federal Budget**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Residents of Canada*";

"**2010 STIP**" has the meaning ascribed to such term in "*Reorganized ABH – Management and Director Compensation and Incentive Plans and Programs*";

"**ABH**" means AbitibiBowater Inc.;

"**ABH Existing Shares**" means the common shares in the capital of ABH issued and outstanding prior to Implementation Date;

"**ABH LLC Note**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – AbitibiBowater U.S. Holding LLC Note Repayment Transactions*";

"**ABH PIK Payments**" means the interest paid by ABH on the Convertible Notes by increasing the principal amount of Convertible Notes outstanding;

"**Abitibi Administration Charge**" has the meaning ascribed to such term in the Initial Order;

"**AbitibiBowater Canada**" means AbitibiBowater Canada Inc.;

"**AbitibiBowater Canada Affected Unsecured Claim**" means any Affected Claim against AbitibiBowater Canada;

"**AbitibiBowater Canada Affected Unsecured Creditor**" means any creditor that is the Holder of an AbitibiBowater Canada Affected Unsecured Claim;

"**AbitibiBowater Canada Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against AbitibiBowater Canada for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, such class being comprised solely of the AbitibiBowater Canada Affected Unsecured Creditors;

"**AbitibiBowater Holding**" means AbitibiBowater U.S. Holding LLC;

"**Abitibi D&O Charge**" has the meaning ascribed to such term in the Initial Order;

"**Abitibi DIP Agreement**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Abitibi DIP Facility**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Abitibi DIP Facility Borrowers**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**ABL Exit Financing Facility**" means the senior secured asset-based revolving facility to be entered into by the Reorganized Debtors and the lender(s) thereunder as contemplated in Section 6.11 of the U.S. Plan, pursuant to such documentation, or a summary thereof, that shall be set forth in (i) a CCAA Plan Supplement, or (ii) such other notice and in such form as determined by the U.S. Debtors and the Applicants, each of which will be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date with notice of such posting forthwith provided to the Service List (as such notice may be thereafter modified, amended, varied or supplemented in accordance with the CCAA Plan);

"**ACCC**" means Abitibi-Consolidated Company of Canada;

"**ACCC Administrative Agent**" means Wells Fargo Bank, N.A. (as successor-in-interest to Goldman Sachs Credit Partners L.P.) in its capacity as administrative agent and collateral agent under the ACCC Term Loan Facility, and its successors and assigns;

"**ACCC Affected Unsecured Claim**" means any Affected Claim against ACCC, including any 15.5% Senior Unsecured Notes Claim against ACCC;

"**ACCC Affected Unsecured Creditor**" means any creditor that is the Holder of an ACCC Affected Unsecured Claim;

"**ACCC Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against ACCC for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, such class being comprised solely of the ACCC Affected Unsecured Creditors;

"**ACCC Term Lenders**" means the lenders party from time to time to the ACCC Term Loan Documents;

"**ACCC Term Loan Claim**" means, subject to paragraphs 13 and 14 of the Third Claims Procedure Order, any Claim of any ACCC Term Lender or the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, and interest accrued thereon and any unpaid costs, fees and other amounts relating thereto as of the Implementation Date, including accrued interest at the default rate plus reasonable professional fees;

"**ACCC Term Loan Documents**" means that certain Credit and Guaranty Agreement, dated as of April 1, 2008 (as may have been amended, supplemented, restated, or otherwise modified from time to time), among ACCC in its capacity as a borrower, certain subsidiaries of ABH as guarantors, the lenders from time-to-time party thereto and the ACCC Administrative Agent, together with all other loan documents, guaranty, and security documents executed in connection therewith or which relate thereto;

"**ACCC Term Loan Facility**" means the 364-day senior term loan entered into on April 1, 2008 by, *inter alia*, ACCC, Goldman Sachs Credit Partners L.P., as administrative agent, and a syndicate of lenders, in an original principal amount of $400 million;

"**ACF LP**" means Abitibi-Consolidated Finance L.P.;

"**ACH Credit Agreement**" means the credit agreement between ACH LP and Caisse de dépôt et placement du Québec dated March 31, 2007 in an amount of up to Cdn$250 million;

"**ACH LP**" means ACH Limited Partnership, a joint venture with Caisse de dépôt et placement du Québec for its Ontario hydroelectric generation facilities;

"**ACI**" means Abitibi-Consolidated Inc. and, where applicable, its Subsidiaries on a consolidated basis;

"**ACI Affected Unsecured Claim**" means any Affected Claim against ACI, including any 15.5% Senior Unsecured Notes Claims against ACI;

"**ACI Affected Unsecured Creditor**" means any creditor that is the Holder of an ACI Affected Unsecured Claim;

"**ACI Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against ACI for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, such class being comprised solely of the ACI Affected Unsecured Creditors;

"**ACI DIP Charge**" has the meaning ascribed to such term in the Initial Order;

"**ACI Group**" means ACI and its direct and indirect Subsidiaries and Donohue Corp. and its direct and indirect Subsidiaries;

"**ACI Inter-company Advances Charge**" has the meaning ascribed to such term in the Initial Order;

"**ACNSI**" means Abitibi-Consolidated Nova Scotia Incorporated;

"**ACNSI Affected Unsecured Claim**" means any Affected Claim against ACNSI, including any 15.5% Senior Unsecured Notes Claim against ACNSI;

"**ACNSI Affected Unsecured Creditor**" means any creditor that is the Holder of an ACNSI Affected Unsecured Claim;

"**ACNSI Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against ACNSI for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions hereunder, such class being comprised solely of the ACNSI Affected Unsecured Creditors;

"**ACSC**" means Abitibi Consolidated Sales Corporation;

"**ACUSFC**" means Abitibi-Consolidated U.S. Funding Corp.;

"**Ad Hoc Unsecured Noteholders Committee**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Ad Hoc Unsecured Noteholders Committee*";

"**Administrative Claim**" means, in respect of any Cross-border Debtor, a Claim to the extent that it is of the kind described in Section 503(b) of the Bankruptcy Code and is entitled to priority under Section 507(a)(1) of the Bankruptcy Code, including (i) any actual and necessary expenses of preserving the estate of such Cross-border Debtor, (ii) any actual and necessary expenses of operating the business of such Cross-border Debtor, (iii) all allowances of compensation or reimbursement of expenses to such Cross-border Debtor to the extent allowed by the Bankruptcy Court under Sections 330(a), 331 or 503(b)(2), (3), (4) or (5) of the Bankruptcy Code, (iv) Claims of such Cross-border Debtor arising under Section 503(b)(9) of the Bankruptcy Code, and (v) all fees and charges payable by such Cross-border Debtor pursuant to Section 1930 of title 28 of the United States Code;

"**Affected Claims**" means all Claims, Subsequent Claims and Restructuring Claims other than Excluded Claims;

"**Affected Unsecured Claims**" means the ACI Affected Unsecured Claims, the ACCC Affected Unsecured Claims, the 15.5% Guarantor Applicant Affected Unsecured Claims, the Saguenay Forest Products Affected Unsecured Claims, the BCFPI Affected Unsecured Claims, the BCFC Affected Unsecured Claims, the AbitibiBowater Canada Affected Unsecured Claims, the Bowater Maritimes Affected Unsecured Claims, the ACNSI Affected Unsecured Claims, the Office Products Affected Unsecured Claims and the Recycling Affected Unsecured Claims;

"**Affected Unsecured Creditor**" means any creditor that is the Holder of an Affected Unsecured Claim and may, if the context requires, mean an assignee of an Affected Unsecured Claim or a trustee, interim receiver, receiver manager, or other Person acting on behalf of such Person, if such assignee or other Person has been recognized by the affected Applicant, the Disbursing Agent or the Servicer, as the case may be;

"**Affected Unsecured Creditor Classes**" means the ACI Affected Unsecured Creditor Class, the ACCC Affected Unsecured Creditor Class, the 15.5% Guarantor Applicant Affected Unsecured Creditor Classes, the Saguenay Forest Products Affected Unsecured Creditor Class, the BCFPI Affected Unsecured Creditor Class, the BCFC Affected Unsecured Creditor Class, the AbitibiBowater Canada Affected Unsecured Creditor Class, the Bowater Maritimes Affected Unsecured Creditor Class, the ACNSI Affected Unsecured Creditor Class, the Office Products Affected Unsecured Creditor Class and the Recycling Affected Unsecured Creditor Class;

"**Affected Unsecured Creditor Proxy**" means the Form of Proxy, instructions and Election Notice for Affected Unsecured Creditors (other than for Non-registered Noteholders and Cross-border Voting Creditors);

"**AHYDOs**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations – U.S. Federal Income Tax Consequences to the Company*";

"**Alcoa**" means, collectively, Alcoa Canada Ltd. and Alcoa Ltd.;

"**Allowable Capital Loss**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Residents of Canada*";

"**Allowed Cross-border Claim**" has the meaning ascribed to such term in "*Creditors' Meetings and Voting Instructions – Voting at Creditors' Meeting – Classification of Affected Claims*";

"**Amended Non-core Properties Motion**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Other Sale of Assets and Cost Savings Initiatives*";

"**ANC**" means Augusta Newsprint Company;

"**ANI**" means Augusta Newsprint Inc.;

"**Applicants**" means the direct and indirect subsidiaries of ABH participating in the CCAA Proceedings listed in Appendix A – "*Applicants*" to this Circular or the CCAA Plan;

"**Applicants Reserve**" means the reserve to be established and maintained under the CCAA Plan by the Monitor, in its capacity as Disbursing Agent, by holding on account of Disputed Claims a number of shares of New ABH Common Stock equal to the amount of shares of New ABH Common Stock that the Holders of Disputed Claims would be entitled to receive if all such Disputed Claims had been Proven Claims in their entire amount on the Initial Distribution Record Date;

"**Assets**" has the meaning ascribed to such term in "*Recommendation of the Monitor*";

"**Backstop Commitment Agreement**" means the backstop commitment agreement entered into by ABH and the Backstop Parties on May 24, 2010 in connection with the Rights Offering, as amended and restated as of July 20, 2010, and as may be further amended, restated, supplemented or otherwise modified from time to time in accordance with its terms, which is attached as an exhibit to the Disclosure Statement and which is available on the Monitor's Website;

"**Backstop Commitment Payment**" has the meaning ascribed to such term in "*Rights Offering – Undersubscription; Backstop Commitment Agreement*";

"**Backstop Parties**" means certain of the legal or beneficial holders of Affected Unsecured Claims as of May 23, 2010 and any of their affiliates, successors, assigns or replacements, in accordance with the terms and conditions set forth in the Backstop Commitment Agreement;

"**Bankruptcy Code**" means the United States Bankruptcy Code, 11 U.S.C. Sections 101 et seq., as amended from time to time;

"**Bankruptcy Court**" means the United States Bankruptcy Court for the District of Delaware in which the Chapter 11 Cases were filed or any other United States court with jurisdiction over the Chapter 11 Cases;

"**Bankruptcy Exception**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations – U.S. Federal Income Tax Consequences to the Company*";

"**BCFC**" means Bowater Canada Finance Corporation;

"**BCFC Affected Unsecured Claim**" means any Affected Claim against BCFC;

"**BCFC Affected Unsecured Creditor**" means any creditor that is the Holder of a BCFC Affected Unsecured Claim;

"**BCFC Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against BCFC for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, such class being comprised solely of the BCFC Affected Unsecured Creditors;

"**BCFC Claims**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Adversary Proceedings*";

"**BCFC Noteholders**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Adversary Proceedings*";

"**BCFPI**" means Bowater Canadian Forest Products Inc.;

"**BCFPI Administrative Agent**" means Bank of Nova Scotia in its capacity as administrative agent under the BCFPI Secured Bank Documents, and its successors and assigns;

"**BCFPI Affected Unsecured Claim**" means any Affected Claim against BCFPI;

"**BCFPI Affected Unsecured Creditor**" means any creditor that is the Holder of a BCFPI Affected Unsecured Claim;

"**BCFPI Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against BCFPI for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, such class being comprised solely of the BCFPI Affected Unsecured Creditors;

"**BCFPI Lenders**" means the lenders party from time to time to the BCFPI Secured Bank Documents;

"**BCFPI Pre-petition Secured Lenders**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness – BCFPI Secured Credit Agreement*";

"**BCFPI Secured Bank Agent**" means Bank of Nova Scotia, in its capacity as administrative agent under the BCFPI Secured Credit Agreement;

"**BCFPI Secured Bank Claim**" means any Claim of any BCFPI Lender or the BCFPI Administrative Agent pursuant to the BCFPI Secured Bank Documents, and interest accrued thereon and any unpaid costs, fees and other amounts relating thereto (including reimbursement obligations for BCFPI Secured Bank Letters of Credit and accrued interest at the default rate plus reasonable professional fees, costs and charges) under the BCFPI Secured Bank Documents as of the Implementation Date;

"**BCFPI Secured Bank Documents**" means that certain Credit Agreement, dated as of May 31, 2006, as amended by that certain First Amendment dated as of July 20, 2007, that certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, that certain Fifth Amendment dated as of April 30, 2008, that certain Sixth Amendment dated as of May 28, 2008, that certain Seventh Amendment dated as of June 6, 2008, that certain Eighth Amendment dated as of June 30, 2008, that certain Ninth Amendment and Waiver dated as of August 7, 2008, that certain Tenth Amendment and Waiver dated as of November 12, 2008 and that certain Eleventh Amendment and Consent dated as of February 27, 2009; and as further modified by the letter agreements dated March 17, 2009, March 23, 2009, March 31, 2009 and April 6, 2009, among BCFPI, as the borrower, and Bowater, Bowater Alabama LLC, Bowater Newsprint South Operations LLC, Newsprint South and certain of the U.S. Debtors and Applicants, as guarantors, the BCFPI Administrative Agent, together with all collateral, security and ancillary documents executed in connection therewith or which relate thereto;

"**BCFPI Secured Bank Letters of Credit**" means the letters of credit to be listed on a CCAA Plan Supplement that are issued and outstanding immediately prior to the Implementation Date under the BCFPI Secured Bank Documents;

"**BCFPI Secured Credit Agreement**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness – BCFPI Secured Credit Agreement*";

"**BCHI**" means Bowater Canadian Holdings Incorporated;

"**BI DIP Agent**" means the administrative agent and collateral agent from time to time under the BI DIP Facility Documents;

"**BI DIP Claim**" means any and all Obligations of the borrowers and guarantors to any BI DIP Lender or the BI DIP Agent pursuant to the BI DIP Facility Documents or the Initial Order as of the Implementation Date;

"**BI DIP Facility Documents**" means that certain Senior Secured Superpriority Debtor in Possession Credit Agreement dated as of April 21, 2009 (as amended, modified, or supplemented from time to time), by and among ABH, Bowater and BCFPI, as borrowers, the BI DIP Lenders from time to time party thereto (including Fairfax, as initial lender and initial BI DIP Agent) and the BI DIP Agent from time to time party thereto together with any related collateral, loan, or security documents executed in connection therewith or which relate thereto;

"**BI DIP Lenders**" means the lenders and financial institutions party from time to time to the BI DIP Facility Documents;

"**BI DIP Lenders Charge**" has the meaning ascribed to such term in the Initial Order;

"**BI Inter-company Advances Charge**" has the meaning ascribed to such term in the Initial Order;

"**BIA**" means the *Bankruptcy and Insolvency Act* (Canada);

"**Blackstone**" has the meaning ascribed to such term in "*Recommendation of the Monitor – The CCAA Plan Illustrative Recoveries for Affected Unsecured Creditors*";

"**Board**" means either the board of directors of ABH or Reorganized ABH, as the case may be;

"**Bowater**" means Bowater Incorporated;

"**Bowater Adequate Protection Charge**" has the meaning ascribed to such term in the Initial Order;

"**Bowater Administration Charge**" has the meaning ascribed to such term in the Initial Order;

"**Bowater DIP Amendment**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Bowater DIP Credit Agreement**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Bowater D&O Charge**" has the meaning ascribed to such term in the Initial Order;

"**Bowater Group**" means Bowater and its direct and indirect Subsidiaries;

"**Bowater Group Pre-petition Secured Lenders**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness – BCFPI Secured Credit Agreement*";

"**Bowater Maritimes**" means Bowater Maritimes Inc.;

"**Bowater Maritimes Affected Unsecured Claim**" means any Affected Claim against Bowater Maritimes;

"**Bowater Maritimes Affected Unsecured Creditor**" means any creditor that is the Holder of a Bowater Maritimes Affected Unsecured Claim;

"**Bowater Maritimes Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against Bowater Maritimes for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, such class being comprised solely of the Bowater Maritimes Affected Unsecured Creditors;

"**Bowater Mersey**" means Bowater Mersey Paper Company Limited, a joint venture with the Washington Post Company, which owns and operates a sawmill in Oakhill, Nova Scotia, as well as a papermill and woodland in Mersey, Nova Scotia;

"**Bowater Secured Bank Agent**" means Wells Fargo Bank National Association (as successor by merger with Wachovia Bank, National Association), in its capacity as agent under the Bowater DIP Credit Agreement;

"**Bridgewater**" means Bridgewater Paper Company Limited;

"**Bridgewater Administration**" has the meaning ascribed to such term in "*Information about ABH, the Applicants and the Business – Corporate Structure – Bridgewater Administration*";

"Bridgewater Entities" means Cheshire Recycling Ltd. and Bridgewater Paper Company Limited;

"**Budget**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Business Day**" means (i) any day, other than a Saturday or a Sunday, or a non-judicial day (as defined in Article 6 of the *Code of Civil Procedure* (Québec), as amended), on which commercial banks are generally open for business in Montreal, Québec, Canada and (ii) in respect of any Cross-border Debtor, any day other than a Saturday, a Sunday or a "legal holiday" (as such term is defined in Bankruptcy Rule 9006(a));

"**Call Agreement**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Adversary Proceedings*";

"**Canadian Bowater DIP**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Canadian Bowater DIP Collateral**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Canadian Bowater DIP Parties**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Canadian Holder**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Residents of Canada*";

"**Canadian Secured Notes**" means the 13.75% Senior Secured Notes due April 1, 2011 issued by ACCC pursuant to the Canadian Secured Notes Indenture;

"**Canadian Secured Notes Claims**" means, subject to paragraphs 11 and 12 of the First Claims Procedure Order and paragraph 15 of the Third Claims Procedure Order, any Claim of any holder of Canadian Secured Notes and the Canadian Secured Notes Indenture Trustee pursuant to the Canadian Secured Notes and the Canadian Secured Notes Indenture, and interest accrued thereon and any unpaid costs, fees, and other amounts relating thereto as of the Implementation Date;

"**Canadian Secured Notes Guarantors**" means ACI, Abitibi-Consolidated Canadian Office Products Holdings Inc., 6169678 Canada Incorporated, 3834328 Canada Inc., The International Bridge and Terminal Company, Marketing Donohue Inc., Les Explorations Terra Nova Ltée, La Compagnie de Pulpe de Jonquière, Saguenay Forest Products and 1508756 Ontario Inc.;

"**Canadian Secured Notes Indenture**" means the indenture dated as of April 1, 2008, as supplemented, between ACCC, as issuer, and the Canadian Secured Notes Indenture Trustee;

"**Canadian Secured Notes Indenture Trustee**" means U.S. Bank, National Association and its successors and assigns, as indenture trustee under the Canadian Secured Notes Indenture;

"**Canadian Subsidiaries**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Consequences to the Company*";

"**Canadian Unsecured Notes**" means the 0% Unsecured Notes, 6.00% Senior Notes, 7.40% Debentures, 7.50% Debentures, 7.75% Notes, 7.875% Notes, 7.95% Notes, 8.375% Senior Notes, 8.50% Debentures, 8.55% Senior Notes, 8.85% Debentures, 10.26% Senior Notes (Series D), 10.50% Senior Notes (Series B), 10.60% Senior Notes (Series C), 10.625% Senior Notes (Series A), 10.85% Debentures, 15.5% Senior Unsecured Notes and the Floating Rate Notes;

"**Canadian Unsecured Notes Claims**" means any Claim of any holder of a Canadian Unsecured Note;

"**Canadian Unsecured Notes Indentures**" means the 0% Unsecured Notes Note Agreement, 6.00% Senior Notes Indenture, 7.40% Debentures Indenture, 7.50% Debentures Indenture, 7.75% Notes Indenture, 7.875% Notes Indenture, 7.95% Notes Indenture, 8.375% Senior Notes Indenture, 8.50% Debentures Indenture, 8.55% Senior Notes Indenture, 8.85% Debentures Indenture, 10.26% Senior Notes (Series D) Note Agreement, 10.50% Senior Notes (Series B) Note Agreement, 10.60% Senior Notes (Series C) Note Agreement, 10.625% Senior Notes (Series A) Note Agreement, 10.85% Debentures Indenture, 15.5% Senior Unsecured Notes Indenture and the Floating Rate Notes Indenture;

"**Cash**" means cash and cash equivalents such as bank deposits, term deposits, guaranteed investment certificates, checks and other similar items or instruments denominated in legal tender of either Canada or the United States, as the context requires;

"**CBCA**" means the *Canada Business Corporations Act*;

"**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada), as applicable to the CCAA Proceedings which, for greater certainty, does not include the amendments proclaimed into force on September 18, 2009;

"**CCAA Charges**" has the meaning ascribed to such term in the Initial Order;

"**CCAA Charge Claim**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*";

"**CCAA Plan**" means the plan of reorganization and compromise, attached hereto as Appendix C – "*Plan of Reorganization and Compromise*", jointly filed by the Applicants pursuant to the provisions of the CCAA, Section 191 of the CBCA and such other Sections and legislation to be set forth in the Restructuring Transactions Notice, as it may be amended, modified, varied or supplemented by the Applicants from time to time in accordance with its terms, including by the Restructuring Transaction Notice and any CCAA Plan Supplement;

"**CCAA Plan Applicants**" has the meaning ascribed to such term in "*Recommendation of the Monitor*";

"**CCAA Plan Modification**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Modifications to the CCAA Plan*";

"**CCAA Plan Supplement**" means any supplement to the CCAA Plan that is to be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date with notice of such posting being forthwith provided to the Service List, (as such CCAA Plan Supplement may be thereafter modified, amended, varied or supplemented in accordance with the CCAA Plan);

"**CCAA Plan Supplement Filing Date**" means the date which shall be at least 10 days prior to the date set forth in an Order of the Bankruptcy Court as the deadline for the return of ballots accepting or rejecting the U.S. Plan provided, that, if such date falls after the Creditors' Meeting Date, then the CCAA Plan Supplement Filing Date shall be on the day immediately prior to the Creditors' Meeting Date, which date shall be confirmed by a notice posted on the Monitor's Website and forthwith provided to the Service List;

"**CCAA Proceedings**" means the proceedings in respect of the Applicants and the 18.6 Petitioners before the Court commenced pursuant to the CCAA;

"**CCAA Vesting Order**" means an Order of the Court approving and sanctioning the transfer and assignment of assets to and among the Applicants or Reorganized Debtors in the manner and the sequence as set forth in the Restructuring Transactions Notice, free and clear of all Claims and Liens (except as otherwise set forth in such Order or in the CCAA Plan);

"**CDS**" means CDS Clearing and Depositary Services Inc. or any of its affiliates;

"**Centralized Sales Team**" has the meaning ascribed to such term in "*Information about ABH, the Applicants and the Business – Overview of Business Operations – Sales, Distribution and Procurement*";

"**CEP**" means the Communications, Energy and Paper Workers Union of Canada;

"**CEP Union Agreement**" has the meaning ascribed to such term in "*The CCAA Plan – Arrangement with Unions*";

"**Chair**" means, in respect of any Creditors' Meeting, the chair of such Creditors' Meeting;

"**Chapter 11 Cases**" means the U.S. Debtors' Chapter 11 cases pending in front of the Bankruptcy Court, which are being jointly administered under Case No. 09-11296;

"**Chapter 15 Proceedings**" means the voluntary cases under Chapter 15 of the Bankruptcy Code commenced by ACI and ACCC in the Bankruptcy Court on April 17, 2009;

"**Chief Restructuring Officer**" means Bruce Robertson and 7088418 Canada Inc., a corporation the shares of which are held by Bruce Robertson;

"**Circular**" means this information circular, proxy statement, including the Appendices hereto and any written amendment or supplement hereto made after the date hereof;

"**Claim**" means any right or claim of any Person against one or more of the Applicants or Partnerships in connection with any indebtedness, liability or obligation of any kind whatsoever of one or more of the Applicants or Partnerships owed to such Person and any interest accrued thereon or costs, fees or other amounts in respect thereof, whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Claim arising from or caused by the repudiation by an Applicant of any contract, lease or other agreement, whether written or oral, the commission of a tort (intentional or unintentional), any breach of duty (legal, statutory, equitable, fiduciary or otherwise), any right of ownership or title to property, employment, contract, a trust or deemed trust, howsoever created, any Claim made or asserted against any one or more of the Applicants or Partnerships through any affiliate, or any right or ability of any Person to advance a Claim for contribution or indemnity or otherwise with respect to any grievance, matter, action, cause or chose in action, whether existing at present or commenced in the future, in each case based in whole or in part on facts which existed on the Date of Filing or which would have been together with any other Claims of any kind that, if unsecured, would constitute a debt provable in bankruptcy within the meaning of the BIA had the affected Applicant become bankrupt on the Date of Filing;

"**Claims Bar Dates**" means, as applicable, November 13, 2009 and April 7, 2010, the bar dates for filing Claims for voting purposes or distribution purposes as set out in the Claims Procedure Orders, with the exception of Restructuring Claims which have a rolling bar date subsequent to April 7, 2010;

"**Claims Officer**" means the individual(s) appointed pursuant to and in accordance with the Claims Procedure Orders as set out in the Claims Procedure Orders;

"**Claims Packages**" means collectively the First Claims Package and the Second Claims Package;

"**Claims Procedure Orders**" means the First Claims Procedure Order, the Second Claims Procedure Order, the Third Claims Procedure Order and the Fourth Claims Procedure Order;

"**Class 6 Claim**" has the meaning ascribed to such term in the U.S. Plan;

"**COD**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations – U.S. Federal Income Tax Consequences to the Company*";

"**Collective Bargaining Agreements**" means the collective bargaining agreements, as amended by the letters of understanding, letters of intent and other written communications with bargaining agents for employees;

"**Combination**" has the meaning ascribed to such term in "*Information about ABH, the Applicants and the Business – Corporate Structure – AbitibiBowater Inc.*";

"**Company**" means either ABH or Reorganized ABH, as the case may be, collectively with its Subsidiaries, either prior to the Implementation Date or on or after the Implementation Date, as reorganized under or pursuant to the CCAA Plan or the U.S. Plan, as the case may be;

"**Conversion Price**" has the meaning ascribed to such term in the Appendix I – "*Terms of the Rights Offering Notes*";

"**Convertible Notes**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness – ABH Convertible Notes*";

"**Costs**" means the costs of complying with any orders issued in respect of the Non-core Properties under applicable environmental legislation, (i) any costs which would have priority pursuant to section 11.8 of the CCAA (as if such statute were applicable) and Section 14.06 of the BIA, and (ii) the costs of any receiver appointed in respect of Non-core Purchaser or Non-core Purchaser's interest in the Non-core Properties;

"**Court**" means the Québec Superior Court of Justice, Commercial Division, for the Judicial District of Montreal, Canada, or any Canadian court with appellate jurisdiction over the CCAA Proceedings;

"**CRA**" means the Canada Revenue Agency;

"**Creditor**" means any Person having a Claim and may, if the context requires, mean an assignee of a Claim or a trustee, receiver, receiver manager or other Person acting on behalf of such Person if such assignee or other Person has been recognized by the Monitor;

"**Creditors' Meeting**" means, in respect of any Affected Unsecured Creditor Class, the meeting of the Affected Unsecured Creditors holding Voting Claims called pursuant to the Creditors' Meeting Order for the purposes of, among other things, considering and, if deemed appropriate, passing their respective Resolution and includes any adjournment, postponement or other rescheduling of such meeting;

"**Creditors' Meeting Date**" means September 14, 2010, being the date fixed for the Creditors' Meetings under the Creditors' Meeting Order subject to any adjournment or postponement or further Order of the Court;

"**Creditors' Meeting Materials**" means the Notice to Creditors, this Circular, and, if applicable, the Notice of Rights Offering and the Subscription Form;

"**Creditors' Meeting Order**" means, the Order of the Court dated July 9, 2010 as amended on July 21, 2010 and as further amended or supplemented from time to time by further Orders of the Court which, among other things, sets the Creditors' Meeting Date and establishes meeting procedures for the Creditors' Meetings of each Affected Unsecured Creditor Class;

"**Creditor Protection Proceedings**" means the Chapter 11 Cases, the Chapter 15 Proceedings and the CCAA Proceedings;

"**Cross-border 503(b)(9) Claim**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*";

"**Cross-border 503(b)(9) Claimant**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*";

"**Cross-border Claims Protocol**" means the cross-border claims protocol that was approved by the Court on January 18, 2010 and the Bankruptcy Court on January 19, 2010, as may be modified, amended, varied or supplemented from time to time;

"**Cross-border Convenience Claim**" means any Proven Claim the aggregate Face Amount of which is (i) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate, and for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (ii) reduced, for distribution purposes only to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, in respect of which its Holder has not made a valid election in accordance with Subsections 2.4(e)(i), 2.4(f)(i), 2.4(g)(i) or 2.4(h)(i) of the CCAA Plan;

"**Cross-border Debtors**" means BCFC, BCHI, AbitibiBowater Canada, BCFPI, Bowater Maritimes, Bowater LaHave Corporation and Bowater Canadian Limited;

"Cross-border Insolvency Protocol" means the cross-border voting protocol governing the voting procedures of Claims against Cross-border Debtors that will be included in the solicitation materials implementing procedures for soliciting votes to accept or reject the CCAA Plan and that was approved by the Court on July 28, 2009 and the Bankruptcy Court on July 27, 2010, as amended, modified, or supplemented from time to time;

"Cross-border Voting Creditor" has the meaning ascribed to such term in the "*The CCAA Plan – Claims and Voting Process – Cross-border Voting Protocol*";

"Cross-border Voting Protocol" has the meaning ascribed to such term in "*The CCAA Plan – Claims and Voting Process – Cross-border Voting Protocol*";

"CSA" means the Canadian Securities Administrators;

"CSN" means the *Confédération des syndicats nationaux*;

"Date of Filing" means April 17, 2009;

"Date of Filing Exchange Rate" means the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Date of Filing, being, for U.S. dollars, US$1=Cdn$1.2146;

"Designated Newspapers" means the Montreal Gazette, the Globe and Mail (National Edition), La Presse, Le Soleil and Le Quotidien;

"Dilution" means the dilution resulting from shares of New ABH Common Stock issued (i) pursuant to the management and director compensation and incentive programs set forth in Section 6.8 of the CCAA Plan, (ii) as a payment under the Backstop Commitment Agreement or any replacement backstop commitment obtained by the Company in connection therewith and approved by the Court and the Bankruptcy Court, (iii) upon conversion of the Rights Offering Notes in connection with the Rights Offering on the terms and conditions set forth in the Backstop Commitment Agreement, and (iv) to Donohue Corp. pursuant to the Restructuring Transactions, in an amount that is reasonably acceptable for the Unsecured Creditors' Committee and the Backstop Parties;

"Disallowed Claim" means any Claim, including any portion thereof, that has been disallowed, denied, dismissed, or overruled by the Monitor or a Claims Officer or pursuant to the Claims Procedure Orders, a final Order of the Court, the Bankruptcy Court, or any other court of competent jurisdiction;

"Disbursing Agent" means any Person in its capacity as a disbursing agent, including the Monitor, the Indenture Trustees and the ACCC Administrative Agent in their capacities as disbursing agents;

"Disclosure Statement" means the disclosure statement, as it may be amended, varied or supplemented from time to time, for the U.S. Debtors' second amended joint plan of reorganization under Chapter 11 of the Bankruptcy Code dated August 2, 2010, which is available on the Monitor's Website;

"Disputed Claim" means an Affected Unsecured Claim or any portion thereof, that is subject to a Notice of Revision or Disallowance, or a Notice of Dispute, and in either case has become neither a Proven Claim nor a Disallowed Claim;

"Distribution Eligible Employees" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*";

"Donohue" means Donohue Corp.;

"Donohue Group" means Donohue and Donohue's direct and indirect Subsidiaries;

“**Donohue Malbaie**” means Donohue Malbaie Inc., a joint venture with the New York Times Company, which owns and operates a paper machine at one of ACI’s newsprint facilities;

“**DTC**” means The Depository Trust & Clearing Corporation, or any of its affiliates;

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization;

“**Election Deadline**” means the time specified in the Creditors’ Meeting Order as the deadline for filing a Form of Proxy;

“**Election Notice**” means the election notice included in the Form of Proxy, which permits Affected Unsecured Creditors to make an election in accordance with Subsections 2.4(a)(i), 2.4(b)(i), 2.4(c)(i), 2.4(d)(i), 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), 2.4(h)(i), 2.4(i)(i), 2.4(j)(i) or 2.4(k)(i) of the CCAA Plan;

“**Eligible Employees**” has the meaning ascribed to such term in “*Reorganized ABH – Employee Compensation and Benefit Programs*”;

“**Eligible Retirees**” has the meaning ascribed to such term in “*Reorganized ABH – Employee Compensation and Benefit Programs*”;

“**Eligible Holders**” means holders of Affected Unsecured Claims under the CCAA Plan and holders of Class 6 Claims under the U.S. Plan (including holders of unresolved Claims), in each case, excluding holders who receive, or elect to receive, distributions in Cash;

“**EPA**” means the *Environmental Protection Act* (Canada);

“**Equity Securities**” means the equity securities of each Applicant and each Partnership issued and outstanding prior to the Implementation Date, including any and all common and preferred shares and any and all rights in respect of such equity securities;

“**Equity Value**” has the meaning ascribed to such term in “*Recommendation of the Monitor – The CCAA Plan Illustrative Recoveries for Affected Unsecured Creditors*”;

“**Escrow Agent**” means the financial institution engaged by the Company to act as escrow agent under the Rights Offering;

“**Escrowed Notes**” has the meaning ascribed to such term in “*Rights Offering – Unresolved Claimholders under the U.S. Plan and Escrowed Notes*”;

“**Excess**” has the meaning ascribed to such term in “*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Consequences to the Company*”;

“**Exchangeable Shares**” means the exchangeable shares of AbitibiBowater Canada issued and outstanding prior to the Implementation Date;

“**Excluded Claim**” has the meaning ascribed to the term in “*The CCAA Plan – Description of the CCAA Plan – Restructuring*”;

“**Excluded Employee Claims**” has the meaning ascribed to such term in *The CCAA Plan – Description of the CCAA Plan – Restructuring*”;

“**Exit Loan Facilities**” means collectively, the ABL Exit Financing Facility and the Term Loan Exit Financing Facility;

"**Face Amount**" means, for purposes of the CCAA Plan (i) when used in reference to a Disputed Claim or a Disallowed Claim, the full stated liquidated amount claimed by the Holder of such Claim in any Proof of Claim timely filed in accordance with the Claims Procedure Orders, and (ii) when used in reference to a Proven Claim, the amount of such Claim as agreed by the Applicants, or as otherwise finally determined, pursuant to the provisions of the Claims Procedure Orders;

"**Fairfax**" means Fairfax Financial Holdings Limited and its Subsidiaries;

"**Final Bowater DIP Order**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Final Distribution Date**" means a date selected by the Reorganized Debtors that is not later than 30 days after the date on which the Monitor shall have certified to the Court that the last Disputed Claim in the CCAA Proceedings has been finally resolved;

"**Final Restructuring Transactions Time**" means such time or moment as set forth in the Restructuring Transactions Notice;

"**Financial Projections**" means the projections of future performance covering the Company's operations on a consolidated basis through fiscal year 2014, after giving effect to the CCAA Plan, as set forth in Appendix G – "*Financial Projections*";

"**First Claims Package**" means the package for the Affected Unsecured Creditors, including a Proof of Claim, an instruction letter explaining how to complete same, and a copy of the Claims Procedure Orders published on September 10 and 15, 2009;

"**First Claims Procedure Order**" means the Order of the Court dated August 26, 2009 establishing, among other things, procedures for proving Claims;

"**First Rights Offering Record Date**" has the meaning ascribed to such term in "*Rights Offering – Entitlement to Subscription Rights*";

"**Floating Rate Notes**" means the Floating Rate Notes due June 15, 2011 issued by ACCC pursuant to the Floating Rate Notes Indenture;

"**Floating Rate Notes Indenture**" means the indenture dated as of June 15, 2004, as amended, between ACCC, as borrower, and The Bank of Nova Scotia Trust Company of New York, as indenture trustee;

"**Floating Rate Notes Indenture Trustee**" means Deutsche Bank National Trust Company, as successor to The Bank of Nova Scotia Trust Company of New York and its successors and assigns, as indenture trustee under the Floating Rate Notes Indenture;

"**Form of Proxy**" means any and all of the enclosed Affected Unsecured Creditor Proxy, the Non-registered Noteholder Proxy and the Joint Proxy/Ballot;

"**Fourth Claims Procedure Order**" means the Order of the Court dated July 21, 2010 allowing, among other things, certain late, mis-filed and scheduled Claims;

"**Fundamental Change**" has the meaning ascribed to such term in the Appendix I – "*Terms of the Rights Offering Notes*";

"**Government Priority Claims**" means any Claim owing to Her Majesty the Queen in right of Canada or any Province as described in Section 18.2(1) of the CCAA;

"**Governmental Entities**" means any: (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (ii) subdivision, agent, commission, board, or authority of any of the foregoing; or (iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or, for the account of, any of the foregoing;

"**Grievance Claims Officer**" means the individual(s) appointed pursuant to and in accordance with the Second Claims Procedure Order as set out in the Second Claims Procedure Order;

"**Guarantors**" has the meaning ascribed to such term in "*Risk Factors – Risk Factors Relating to the Rights Offering Notes*";

"**Holder**" means a Person holding a Claim against one or more of the Applicants;

"**Implementation Date**" means the Business Day on which the CCAA Plan becomes effective and is implemented in accordance with Sections 8.5 and 8.6 of the CCAA Plan, as confirmed by a certificate filed by the Monitor with the Court;

"**Indenture Trustees**" means, collectively, the 6.00% Senior Notes Indenture Trustee, 7.40% Debentures Indenture Trustee, 7.50% Debentures Indenture Trustee, 7.75% Notes Indenture Trustee, 7.875% Notes Indenture Trustee, 7.95% Notes Indenture Trustee, 8.375% Senior Notes Indenture Trustee, 8.50% Debentures Indenture Trustee, 8.55% Senior Notes Indenture Trustee, 8.85% Debentures Indenture Trustee, 10.85% Debentures Indenture Trustee, Canadian Secured Notes Indenture Trustee, 15.5% Senior Unsecured Notes Indenture Trustee and Floating Rate Notes Indenture Trustee;

"**Initial Distribution Date**" means the first Business Day that is ten days (or such longer period as may reasonably be determined by the Reorganized Debtors in consultation with the Monitor) after the Implementation Date;

"**Initial Distribution Record Date**" means the applicable date designated in the Sanction Order;

"**Initial Order**" means the Order of the Court dated April 17, 2009, as amended and restated from time to time, pursuant to which, among other things, the Applicants were granted certain relief pursuant to the CCAA;

"**Initial Rights Ratio**" has the meaning ascribed to such term in "*Rights Offering – Entitlement to Subscription Rights*";

"**Insolvency Proceedings**" means, collectively, the CCAA Proceedings, the Chapter 11 Cases and the 18.6 Proceedings;

"**Insurance Contract**" means any policy of third party liability insurance under which the Applicants could have asserted or did assert, or may in the future assert, a right to coverage for any claim, together with any other contracts which pertain or relate to such policy;

"**Insured Claim**" means any Claim arising from an incident or occurrence alleged to have occurred prior to the Implementation Date: (i) as to which any Insurer is obligated pursuant to the terms, conditions, limitations and exclusions of its Insurance Contract(s), to pay any judgment, settlement, or contractual obligation with respect to the Applicants; or (ii) that any Insurer otherwise agrees to pay as part of a settlement or compromise of a claim made under the applicable Insurance Contract(s);

"**Insured Claim Creditor**" means any creditor that is the Holder of an Insured Claim;

"**Insurer**" means any Person that issued, or is responsible for, an Insurance Contract;

"**Inter-company Claim**" means any right or claim of any Applicant, Partnership or U.S. Debtor against one or more other Applicants, Partnerships or U.S. Debtors, including any Claim, Subsequent Claim or Restructuring Claim;

"**Inter-company Note Claims**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness – Inter-company Debt*";

"**Interim Bowater DIP Order**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Interim Distribution Dates**" means the first Business Day occurring 60 days after the Initial Distribution Date, and subsequently, the first (1st) Business Day occurring 60 days after the immediately preceding Interim Distribution Date (unless otherwise determined by the Monitor, in its capacity as Disbursing Agent);

"**Interim Distribution Record Date**" means, with respect to any Interim Distribution Date, the 15th day prior to such Interim Distribution Date;

"**Investment Plans**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Residents of Canada*";

"**IQ Financing**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness – Investissement Québec Financing*";

"**IRS**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations*";

"**Issue Date**" has the meaning ascribed to such term in the Appendix I – "*Terms of the Rights Offering Notes*";

"**ITA**" means the *Income Tax Act* (Canada) as now in effect and as it may be amended from time to time;

"**Joint Proxy/Ballot**" means the Form of Proxy, instructions and Election Notice for Cross-border Voting Creditors;

"**Laws**" means all statutes, regulations, statutory rules, orders, judgments, decrees and terms and conditions of any grant of approval, permission, authority, permit or license of any court, Governmental Entity, statutory body or self-regulatory authority, and the term "**applicable**" with respect to such Laws and in any context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

"**Lien**" means, with respect to any interest in property, any mortgage, lien, pledge, charge, security interest, easement or encumbrance of any kind whatsoever, under United States, Canadian, or other applicable Law, affecting such interest in property;

"**Liquidation Analysis**" has the meaning ascribed to such term in "*Recommendation of the Monitor – Liquidation Analysis*";

"**LTIP**" has the meaning ascribed to such term in "*Reorganized ABH – Management and Director Compensation and Incentive Plans and Programs – Long-Term Equity Incentive Plan*";

"**Monitor**" means Ernst & Young Inc. or any successor thereto appointed in accordance with the Initial Order or any further Order of the Court;

"**Monitor's Website**" means www.ey.com/ca/abitibibowater;

"**Motion Parties**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Adversary Proceedings*";

"**MPCo**" means Manicouagan Power Company;

"**MPCo Sale**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**NAFTA**" means the North American Free Trade Agreement;

"**NAFTA Proceedings**" means the proceedings in relation to the expropriation of the Grand Falls newsprint mill and certain other assets by the Government of Newfoundland, the whole as more fully described in "*Risk Factors – Risks Relating to the Company's Business*";

"**NASDAQ**" means either the NASDAQ Global Market or the NASDAQ Global Select Market;

"**New ABH Common Stock**" means the common stock of Reorganized ABH which shall be issued on the Implementation Date or authorized to be issued by Reorganized ABH at any time from and after the Implementation Date;

"**New Plans**" has the meaning ascribed to such term in "*Reorganized ABH – Employee Compensation and Benefit Programs*";

"**New Securities**" has the meaning ascribed to such term in "*Other Considerations – Canadian Securities Law Considerations*";

"**Newfoundland and Labrador**" means the Province of Newfoundland and Labrador;

"**Newspaper Notice**" means the notice of the Claims Procedure Orders published in the Designated Newspapers in accordance with the Claims Procedure Orders, which sets out the Claims Bar Dates;

"**Newsprint South**" means Bowater Newsprint South LLC;

"**No Vote Applicant**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*";

"**No Vote Occurrence**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*";

"**Non-core Properties**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Other Sale of Assets and Cost Savings Initiatives*";

"**Non-core Purchaser**" means 4513541 Canada Inc.;

"**Non-registered Noteholders**" means the beneficial owners of Canadian Unsecured Notes (other than 0% Unsecured Notes) that are registered in the name of an intermediary or a depository such as DTC or CDS;

"**Non-registered Noteholder Proxy**" means the Form of Proxy and instructions for Non-registered Noteholders;

"**Non-resident Holder**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Non-Residents of Canada*";

"**Non-U.S. Holder**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations*";

"**Notice of Dispute**" has the meaning ascribed to such term in the Claims Procedure Orders;

"**Notice of Meeting**" means the notice of the Creditors' Meeting which is included in this Circular;

"**Notice of Revision or Disallowance**" has the meaning ascribed to such term in the Claims Procedure Orders;

"**Notice of Rights Offering**" means the notice of rights offering to be communicated by the Monitor to the Affected Unsecured Creditors and Cross-border Voting Creditors as of the First Rights Offering Record Date or Second Rights Offering Record Date, as the case may be, pursuant to the Creditors' Meeting Order;

"**Notice to Creditors**" means the notice of the Creditors' Meetings setting out the Creditors' Meeting Date;

"**NYSE**" means the New York Stock Exchange;

"**Obligations**" means any and all demands, claims, actions, causes of action, counterclaims, suits, rights, obligations, debts, sums of money, accounts, covenants, damages, judgments, expenses, liabilities, executions, liens and other recoveries on account of any indebtedness, liability, obligation, demand or cause of action of whatever nature (including interest thereon and costs, fees or other amounts in respect thereof or remedies to challenge transfers which may fall within the scope of any bulk sales, fraudulent conveyance or similar statute) whether reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, direct, indirect or derivative, then existing or hereafter arising, in law, equity or otherwise;

"**Office Products**" means Abitibi-Consolidated Canadian Office Products Holdings Inc.;

"**Office Products Affected Unsecured Claim**" means any Affected Claim against Office Products;

"**Office Products Affected Unsecured Creditor**" means any creditor that is the Holder of an Office Products Affected Unsecured Claim;

"**Office Products Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against Office Products for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions hereunder, such class being comprised solely of the Office Products Affected Unsecured Creditors;

"**OID**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations – U.S. Federal Income Tax Consequences to the Company*";

"**Order**" means any order of the Court or the Bankruptcy Court;

"**Original Currency**" has the meaning ascribed to such term in "*Creditors' Meetings and Voting Instructions – Voting At Creditors' Meeting – Classification of Affected Claims*";

"**Oversubscription Amount**" has the meaning ascribed to such term in "*Rights Offering – Entitlement to Subscription Rights*";

"**Participants**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness – Abitibi Securitization Program*";

"**Partnerships**" means the partnerships listed in Schedule "B" of the CCAA Plan;

"**Person**" means any person, including any individual, partnership, joint venture, venture capital fund, association, corporation, limited liability company, limited liability partnership, unlimited liability company, trust, trustee, executor, administrator, legal personal representative, estate, group, unincorporated association or organization, Governmental Entity, syndicate, the Monitor, the Office of the United States Trustee or other entity, whether or not having legal status;

"**PIK Notes**" has the meaning ascribed to such term in *Appendix I – "Terms of the Rights Offering Notes"*;

"**Plans**" means, collectively, the U.S. Plan and the CCAA Plan;

"**Post-filing Claims**" means all Obligations which are not Claims, Subsequent Claims or Restructuring Claims and arise from, or are in respect of, the Backstop Commitment Agreement, or any other executory contract, unexpired lease or agreement which has been deemed ratified pursuant to the CCAA Plan and all Obligations which arise from, or are in respect of, any agreement entered into after the Date of Filing and approved by the Court as part of the CCAA Proceedings;

"**Principal Increase**" means the amount, if any, equal to the difference between (i) the net proceeds generated from the sale of the Non-core Properties (or any portion thereof) to a third party by the Non-core Purchaser or any receiver appointed in respect thereof and (ii) the Costs;

"**Pro Rata**" means, at any time, the proportion that (i) the Face Amount of an Affected Claim (including any Inter-company Claim deemed to be an Affected Unsecured Claim pursuant to Section 2.5(c) of the CCAA Plan (including Disputed Claims, but excluding Disallowed Claims)) in a particular class bears to (ii) the aggregate Face Amount of all Affected Claims (including any Inter-company Claim deemed to be an Affected Unsecured Claim pursuant to Section 2.5(c) of the CCAA Plan (including Disputed Claims, but excluding Disallowed Claims)) in such class less (x) the aggregate Face Amount of all Affected Claims settled, compromised, released or otherwise dealt with in accordance with Subsections 2.4(a)(i), 2.4(b)(i), 2.4(c)(i), 2.4(d)(i), 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), 2.4(h)(i), 2.4(i)(i), 2.4(j)(i) and 2.4(k)(i) of the CCAA Plan, as the case may be, and (y) the aggregate Face Amount of all Affected Claims fully paid pursuant to Section 3.7 of the CCAA Plan;

"**Proof of Claim**" has the meaning ascribed to such term in the Claims Procedure Orders;

"**Property**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Residents of Canada*";

"**Proven Claim**" means, in respect of an Affected Unsecured Creditor, the amount or any portion of the amount of the Affected Claim of such Affected Unsecured Creditor as finally determined for distribution purposes in accordance with the provisions of the CCAA Plan, the CCAA, the Claims Procedure Orders and any other applicable Orders;

"**Proven Secured Claim**" means the amount of a Secured Claim as agreed by the Applicants or as finally determined in accordance with the provisions of the CCAA Plan, the CCAA, the Claims Procedure Orders and any other applicable Orders;

"**Recovered Paper**" has the meaning ascribed to such term in "*Information about ABH, the Applicants and the Business – Overview of Business Operations – Raw Materials*";

"**Recycling**" means Donohue Recycling Inc.;

"**Recycling Affected Unsecured Claim**" means any Affected Claim against Recycling, including any 15.5% Senior Unsecured Notes Claim against Recycling;

"**Recycling Affected Unsecured Creditor**" means any creditor that is the Holder of a Recycling Affected Unsecured Claim;

"**Recycling Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against Recycling for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, such class being comprised solely of the Recycling Affected Unsecured Creditors;

"**Reduced Base Salary**" has the meaning ascribed to such term in "*Reorganized ABH – Management and Director Compensation and Incentive Plans and Programs – Short-Term Incentive Plans*";

"**Regulations**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations*";

"**Released Parties**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – CCAA Plan Releases*";

"**Reorganized ABH**" means, on and after the Implementation Date, ABH as reorganized under the U.S. Plan;

"**Reorganized Debtors**" means, on or after the Implementation Date, collectively, all of the Applicants and Partnerships (or their respective successors) remaining under and pursuant to the CCAA Plan, including the Restructuring Transactions;

"**Repayment Steps**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – AbitibiBowater U.S. Holding LLC Note Repayment Transactions*";

"**Reportable Payments**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations – U.S. Federal Income Tax Considerations for U.S. Holders*";

"**Required Majority**" means, in respect of any Affected Unsecured Creditor Class, the affirmative vote of a majority in number in such Affected Unsecured Creditor Class having Voting Claims and voting on its Resolution (in person or by proxy) at the Creditors' Meeting in respect of such Affected Unsecured Creditor Class and representing not less than 66⅔% in value of the Voting Claims voting (in person or by proxy) at such Creditors' Meeting;

"**Resolution**" means, in respect of an Affected Unsecured Creditor Class, the resolution for such Affected Unsecured Creditor Class substantially in the form attached hereto as Appendix B – "*Resolution*", providing for the approval of the CCAA Plan by the Affected Unsecured Creditors comprised in such Affected Unsecured Creditor Class;

"**Restructuring Claim**" has the meaning ascribed to such term in the Third Claims Procedure Order;

"**Restructuring Recognition Award**" has the meaning ascribed to such term in "*Reorganized ABH – Management and Director Compensation and Incentive Plans and Programs – Restructuring Recognition Award*";

"**Restructuring Transactions**" means those steps and transactions necessary or desirable to give effect to the transactions contemplated herein and in the Restructuring Transaction Notice, which steps and transactions may include one or more incorporations, mergers, amalgamations, consolidations, arrangements, continuations, restructurings, conversions, liquidations, winding-ups, dissolutions, transfers, reorganizations, repayments, redemptions, exchanges, cancellations, discharges or other transactions (including the release of certain funds that were set aside temporarily in ULC);

"**Restructuring Transactions Notice**" means one or more notices setting out and detailing substantially all of the Restructuring Transactions to be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date with notice of such posting in each instance forthwith provided to the Service List (as such notice may be thereafter modified, amended, varied or supplemented in accordance with the Plans) provided that a final restated Restructuring Transaction Notice will be posted on the Monitor's Website no later than on the Implementation Date with notice of such posting forthwith provided to the Service List;

"**Rights Entitlement Reduction**" has the meaning ascribed to such term in "*Rights Offering – Increase or Reduction of Eligible Claim*";

"**Rights Offering**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Implementation of the CCAA Plan*";

"**Rights Offering Expiration Date**" has the meaning ascribed to such term in "*Rights Offering – Subscription Period*";

"**Rights Offering Notes**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Implementation of the CCAA Plan*";

"**Rights Offering Participant**" has the meaning ascribed to such term in "*Rights Offering*";

"**Rights Offering Pro Rata**" means, as at the applicable Rights Offering record date, the proportion that (i) the Voting Claims of an Affected Unsecured Creditor in a particular class bears to (ii) the aggregate Voting Claims of all Affected Unsecured Creditors in such particular class;

"**Saguenay Forest Products**" means Saguenay Forest Products Inc.;

"**Saguenay Forest Products Affected Unsecured Claim**" means any Affected Claim against Saguenay Forest Products, including any 15.5% Senior Unsecured Notes Claim against Saguenay Forest Products;

"**Saguenay Forest Products Affected Unsecured Creditor**" means any creditor that is the Holder of a Saguenay Forest Products Affected Unsecured Claim;

"**Saguenay Forest Products Affected Unsecured Creditor Class**" means the class of creditors grouped in accordance with their Affected Claims against Saguenay Forest Products for the purposes of considering and voting on the CCAA Plan in accordance with the provisions of the CCAA Plan and receiving distributions thereunder, such class being comprised solely of the Saguenay Forest Products Affected Unsecured Creditors;

"**Sanction Hearing**" means the hearing at which the Court's sanction of the Plan under the CCAA, the CBCA and such other legislation to be set forth in the Restructuring Transactions Notice will be sought;

"**Sanction Order**" means the Order by the Court sanctioning the CCAA Plan pursuant to the CCAA, Section 191 of the CBCA and such other Sections and legislation to be set forth in the Restructuring Transaction Notice as such Order may be amended, or supplemented from time to time;

"**Search Committee**" has the meaning ascribed to such term in "*Reorganized ABH – Corporate Governance*";

"**SEC**" means the United States Securities and Exchange Commission;

"**Second Claims Package**" means the package for the Affected Unsecured Creditors, including a Proof of Claim, an instruction letter explaining how to complete same, and a copy of the Claims Procedure Orders published on February 23, 2010;

"**Second Claims Procedure Order**" means the Order of the Court dated January 18, 2010 establishing, among other things, procedures for reviewing and determining Claims;

"**Second Canadian Proof of Claim**" has the meaning ascribed to such term in the Second Claims Procedure Order;

"**Second Rights Offering Record Date**" has the meaning ascribed to such term in "*Rights Offering – Increase or Reduction of Eligible Claim*";

"**Section 1145 Cutback**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Implementation of the CCAA Plan*";

"**Secured Claim**" means any: (i) ACCC Term Loan Claim; (ii) BCFPI Secured Bank Claim; (iii) Canadian Secured Notes Claim; or (iv) Claim, other than a CCAA Charge, which is secured by a Lien on the property of the Applicants, which Lien is valid, perfected and enforceable pursuant to applicable Laws or by reason of an Order, to the extent of the value of such property, as of the Implementation Date or such other date as is established by the Court;

"**Securitization Claims**" means any Claim arising under or relating to the Securitization Facility;

"**Securitization Facility**" means the receivables securitization facility made available to certain Subsidiaries of ABH pursuant to that certain Second Amended and Restated Receivables Purchase Agreement, dated as of June 16, 2009, as amended, among ACUSFC, as the seller, ACI and ACSC, as originators, ACSC, as servicer, ACI, as subservicer, Citibank, N.A., as agent, and the banks named therein, and the other Transaction Documents (as defined therein);

"**Securitization Program**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness – Abitibi Securitization Program*";

"**Securitization Program Guarantors**" has the meaning ascribed to such term in "*Capitalization of ABH and the Applicants – Indebtedness –Abitibi Securitization Program*";

"**SERP Claims**" has the meaning ascribed to such term in "*Reorganized ABH – Employee Compensation and Benefit Programs*";

"**Service List**" means the service list posted on the Monitor's Website, as may be amended from time to time;

"**Servicer**" means any indenture trustee, agent or servicer that administers any agreement that governs the rights of a Holder of an Affected Claim;

"**SG&A**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Other Cost Savings Initiatives*";

"**Sponsor**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Stay of Proceedings**" means the stay of proceedings under Section 11 of the CCAA;

"**Stay Termination Date**" has the meaning ascribed to such term in the Initial Order;

"**STIPs**" has the meaning ascribed to such term in "*Reorganized ABH – Employee Compensation and Benefit Programs*";

"**Subscription Agent**" means Epiq Bankruptcy Solutions, LLC;

"**Subscription Forms**" has the meaning ascribed to such term in "*Rights Offering – Subscription Period*";

"**Subscription Rights**" means the rights granted in connection with the Rights Offering to each Affected Unsecured Creditor who does not receive a Cash distribution pursuant to Subsections 2.4(a)(i), 2.4(b)(i), 2.4(c)(i), 2.4(d)(i), 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), 2.4(h)(i), 2.4(i)(i), 2.4(j)(i)or 2.4(k)(i) of the CCAA Plan;

"**Subsequent Claim**" has the meaning ascribed to such term in the Third Claims Procedure Order;

"**Subsequent Subscription Form**" has the meaning ascribed to such term in "*Rights Offering – Increase or Reduction of Eligible Claim*";

"**Subsidiary**" means any and all of the direct or indirect wholly-owned or otherwise controlled subsidiaries of ABH and the direct or indirect wholly-owned or otherwise controlled partnerships, limited partnerships or other entities of ABH prior to the Implementation Date;

"**Supplemental Distribution**" has the meaning ascribed to such term in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*";

"**Tax Code**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations*";

"**Taxable Capital Gain**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Residents of Canada*";

"**Taxes**" means any and all taxes, duties, fees, pending assessments, reassessments and other governmental charges, duties, impositions and liabilities of any kind whatsoever (including any Claims by Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any Province or Territory of Canada, the CRA and any similar revenue or taxing authority, including any municipality of any Province or Territory of Canada), including all interest, penalties, fines and additions with respect to such amounts;

"**Tax Proposals**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations*";

"**Tax Shield**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Consequences to the Company*";

"**Term Loan Exit Financing Facility**" means the senior secured term loan facility, that may take the form of a loan, high-yield notes, bridge facility or other loan arrangement, to be entered into by the Reorganized Debtors and the lender(s) thereunder as contemplated in Section 6.11 of the U.S. Plan, pursuant to such documentation, or a summary thereof, as shall be set forth in (i) a CCAA Plan Supplement, or (ii) such other notice and in such form as determined by the U.S. Debtors and the Applicants, each of which will be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date with notice of such posting forthwith provided to the Service List (as such notice may be thereafter modified, amended, varied or supplemented in accordance with the CCAA Plan);

"**Terminated Employee Plans**" has the meaning ascribed to such term in "*Reorganized ABH – Employee Compensation and Benefit Programs*";

"**Terminated Retirement Plans**" has the meaning ascribed to such term in "*Reorganized ABH – Employee Compensation and Benefit Programs*";

"**TFSA**" has the meaning ascribed to such term in "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations – Residents of Canada*";

"**Third Claims Procedure Order**" means the Order of the Court dated February 23, 2010 establishing, among other things, procedures for soliciting, reviewing and determining applicable claims and Restructuring Claims;

"**TSX**" means the Toronto Stock Exchange, a division of TSX Inc., through which the senior listing operations of TMX Group Inc. are conducted;

"**ULC**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**ULC DIP Agreement**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**ULC DIP Claim**" means any and all Obligations of the borrowers and guarantors of ULC pursuant to the ULC DIP Facility or the Initial Order as of the Implementation Date;

"**ULC DIP Facility**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"**Unaffected Creditor**" means any Creditor with Excluded Claims, in respect of and to the extent of those Excluded Claims;

"**Unions**" has the meaning ascribed to such term in the Second Claims Procedure Order;

"Unresolved Claim" has the meaning ascribed to such term in "*Rights Offering – Unresolved Claimholders under the U.S. Plan and Escrowed Notes*";

"Unresolved Claimholder" has the meaning ascribed to such term in "*Rights Offering – Unresolved Claimholders under the U.S. Plan and Escrowed Notes*";

"Unsecured Creditors' Committee" means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases by the Office of the United States Trustee on or about April 28, 2009, pursuant to Section 1102 of the Bankruptcy Code, as reconstituted from time to time;

"Unsubscribed Notes" has the meaning ascribed to such term in the Backstop Commitment Agreement;

"Upfront Payment" has the meaning ascribed to such term in "*Rights Offering – Distribution of Rights Offering Notes*";

"U.S. Bowater Borrowers" means Bowater, Newsprint South, Bowater Alabama LLC and Bowater Newsprint South Operations LLC;

"U.S. Bowater DIP" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"U.S. Bowater DIP Collateral" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"U.S. Bowater DIP Orders" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"U.S. Bowater DIP Parties" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"U.S. Debtors" means ABH, AbitibiBowater US Holding 1 Corp., AbitibiBowater US Holding LLC, AbitibiBowater Canada, Abitibi-Consolidated Alabama Corporation, Abitibi-Consolidated Corporation, ACF LP, Abitibi Consolidated Sales Corporation, Alabama River Newsprint Company, Augusta Woodlands, LLC, Bowater Alabama LLC, Bowater America Inc., BCFC, BCFPI, BCHI, Bowater Canadian Limited, Bowater Finance Company Inc., Bowater Finance II LLC, Bowater, Bowater LaHave Corporation, Bowater Maritimes, Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Bowater South American Holdings Incorporated, Bowater Ventures Inc., Catawba Property Holdings, LLC, Coosa Pines Golf Club Holdings LLC, Donohue, Lake Superior Forest Products Inc. and Tenex Data Inc., ABH LLC 1 and ABH Holding Company Inc.;

"U.S. DIP Order" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – DIP Credit Facilities*";

"U.S. GAAP" means generally accepted accounting principles in the United States of America;

"U.S. Holder" has the meaning ascribed to such term in "*Income Tax Considerations – Certain U.S. Federal Income Tax Considerations*";

U.S. Petition Date" means April 16, 2009;

"U.S. Plan" means the plan of reorganization of the U.S. Debtors dated May 24, 2010, as may be further amended, varied or supplemented from time to time in accordance with the terms thereof, which U.S. Plan can be obtained through the Monitor's Website;

"U.S. Securities Act" means the United States Securities Act of 1933, as amended;

"**Voting Claim**" means, in respect of an Affected Unsecured Creditor, the Canadian dollar amount of the Affected Claim of such Affected Unsecured Creditor accepted for purposes of voting at any Creditors' Meeting, in accordance with the provisions of the Creditors' Meeting Order and the Cross-border Voting Protocol;

"**Voting Record Date**" means September 7, 2010 or such other date as may be determined by the Monitor;

"**Wind Up Claim**" has the meaning ascribed to such term in "*The CCAA Plan – Events Subsequent to the CCAA Proceedings – Adversary Proceedings*"; and

"**Woodbridge**" means, collectively, Woodbridge International Holdings Limited, Woodbridge International Holdings SA and The Woodbridge Company Limited.

I. INTRODUCTION

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the Applicants for use at the Creditors' Meetings for the purposes set forth in the Notice of Meetings addressed to Affected Unsecured Creditors. This Circular is also furnished to Affected Unsecured Creditors in connection with the Rights Offering. See "*Rights Offering*".

The CCAA Plan provides for a coordinated restructuring and compromise of Affected Claims against the Applicants. The U.S. Debtors are subject to the Chapter 11 Cases and have filed the U.S. Plan with the Bankruptcy Court. Under the CCAA Plan, the treatment of a Proven Claim against a Cross-border Debtor is intended to be consistent with the treatment of an Allowed Claim (as defined in the U.S. Plan) against the same Cross-border Debtor in the U.S. Plan, with the Holder of an Allowed Cross-border Claim receiving a single recovery on account of such an Allowed Cross-border Claim in the CCAA Plan and the U.S. Plan and the aggregate distribution which such Holder of an Allowed Cross-border Claim shall receive whether under the CCAA Plan or the U.S. Plan or a combination of both, not exceeding the greatest distribution which such Allowed Cross-border Claim would be entitled to receive under the CCAA Plan or the U.S. Plan. Effectiveness of the CCAA Plan is conditional upon the effectiveness of the U.S. Plan, and effectiveness of the U.S. Plan is conditional upon the effectiveness of the CCAA Plan.

This Circular provides certain information regarding the history of ABH and the Applicants, significant events that have occurred during the CCAA Proceedings and the anticipated organization, operations and financing of Reorganized ABH, the Applicants and the U.S. Debtors upon emergence from the CCAA Proceedings and from the Chapter 11 Cases. This Circular also describes the terms and provisions of the CCAA Plan and the Rights Offering, including certain alternatives to the CCAA Plan, certain effects of Court sanction of the CCAA Plan, certain risk factors associated with the likelihood of the CCAA Plan being implemented or failing to be implemented, the results and operations of the Applicants following emergence from the CCAA Proceedings and with the securities to be delivered under the CCAA Plan, as well as the securities issuable pursuant to the Rights Offering, the U.S. Plan and the manner in which distributions will be made under the CCAA Plan. In addition, this Circular discusses the sanction process, the voting procedures that Affected Unsecured Creditors must follow for their votes to be counted at any Creditors' Meeting and the procedure to follow for Affected Unsecured Creditors to participate in the Rights Offering.

THIS CIRCULAR CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE CCAA PLAN, CERTAIN DOCUMENTS RELATED TO THE CCAA PLAN, CERTAIN EVENTS IN THE CCAA PROCEEDINGS, THE RIGHTS OFFERING AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE APPLICANTS BELIEVE THAT SUCH SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS CIRCULAR HAS BEEN PROVIDED BY THE APPLICANTS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE APPLICANTS DO NOT WARRANT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY INACCURACY OR OMISSION.

THIS CIRCULAR CONTAINS A SUMMARY OF THE STRUCTURE OF, CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS IN, AND IMPLEMENTATION OF THE CCAA PLAN. IT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE CCAA PLAN WHICH ACCOMPANIES THIS CIRCULAR AND TO THE SCHEDULES ATTACHED THERETO OR OTHER DOCUMENTS REFERRED TO THEREIN.

II. CREDITORS' MEETINGS AND VOTING INSTRUCTIONS

A. Notice of Creditors' Meetings and Meeting Materials

The Creditors' Meeting Materials, the Affected Unsecured Creditor Proxy and the materials required pursuant to the Cross-border Voting Protocol will have been sent to the Affected Unsecured Creditors and the Cross-border Voting Creditors with Voting Claims as of June 30, 2010. Please see "*Creditors' Meetings and Voting Instructions – Non-registered Noteholders*" for details relating to the Non-registered Noteholders.

The Monitor will send the Creditors' Meeting Materials to any other Affected Unsecured Creditors as the Monitor deems necessary up to and until the Creditors' Meeting Date.

Any modifications to the Creditors' Meeting Materials will be posted on the Monitor's Website.

B. Procedure For Creditors' Meetings

Pursuant to the Creditors' Meeting Order, each Creditors' Meeting has been convened for the purpose of considering and, if deemed advisable, adopting, with or without variation, the Resolution in respect of each Affected Unsecured Creditor Class to approve the CCAA Plan. Each Creditors' Meeting will be held in Montreal at the Hilton Montreal Bonaventure, 900 de La Gauchetière West, Montréal, Québec, H5A 1E4, Canada, on September 14, 2010 at 10:00 a.m. (Montreal time).

Each Creditors' Meeting will be held and conducted in accordance with the provisions of the Creditors' Meeting Order. The Monitor will designate any Person, including an employee or any representative of the Monitor who will preside as the Chair of each Creditors' Meeting of each Affected Unsecured Creditor Class and, subject to the Creditors' Meeting Order or any Order of the Court, will decide all matters relating to the conduct of such Creditors' Meeting. The Applicants or any Affected Unsecured Creditor may appeal any decision of the Chair to the Court no later than four Business Days from such decision. The Monitor may appoint scrutineers for the supervision and tabulation of the attendance at, quorum at and votes cast at the Creditors' Meeting of each Affected Unsecured Creditor Class and any person to act as secretary at the Creditors' Meeting of each Affected Unsecured Creditor Class.

The only Persons entitled to attend and speak at a Creditors' Meeting of each Affected Unsecured Creditor Class are Affected Unsecured Creditors with Voting Claims and their proxy holders, representatives of the Applicants, members of the boards of directors of the Applicants, representatives of the Monitor, representatives of the Ad Hoc Unsecured Noteholders Committee, the Chair and their respective legal counsel and financial advisors. Any other Person may be admitted to a Creditors' Meeting of each Affected Unsecured Creditor Class at the invitation of the Chair.

The quorum required at each Creditors' Meeting is one Affected Unsecured Creditor in the relevant Affected Unsecured Creditor Class present in person or by proxy and entitled to vote at such Creditors' Meeting. If the requisite quorum is not present at any Creditors' Meeting, then such Creditors' Meeting will be adjourned by the Chair to such date, time and place as may be decided by the Chair in his sole discretion. The Chair will decide on the manner of giving notice to the Affected Unsecured Creditors of the rescheduled meeting and may, if he or she deems it appropriate, restrict such notice to a notice posted on the Monitor's Website.

The Chair is authorized to adjourn, postpone or otherwise reschedule a Creditors' Meeting on one or more occasions to such time(s), date(s) and place(s) as the Chair deems necessary or desirable (without the need to first convene such Creditors' Meeting for the purpose of any adjournment, postponement or other rescheduling thereof). The Chair will decide on the manner of giving notice to the Affected Unsecured Creditors of the rescheduled meeting and may, if he deems it appropriate, restrict such notice to a notice posted on the Monitor's Website.

C. Entitlement To Vote

Affected Unsecured Creditors will be entitled to prove their respective Affected Claims, vote their Voting Claims in respect of the CCAA Plan, and, if their Claims become Proven Claims, receive the distributions provided for pursuant to the Claims Procedure Orders, the Cross-border Claims Protocol, the Cross-border Voting Protocol, the Creditors' Meeting Order and the CCAA Plan. The procedure for valuing Affected Claims for voting and distribution purposes and resolving disputes in respect of any such valuation is set forth in the Claims Procedure Orders, the Cross-border Claims Protocol, the Cross-border Voting Protocol, the Creditors' Meeting Order and the CCAA Plan.

All Affected Unsecured Creditors should refer to the Claims Procedure Orders, the Cross-border Claims Protocol, the Creditors' Meeting Order, the Cross-border Voting Protocol and the CCAA Plan for a complete description of the procedures pursuant to which Claims are valued. The Claims Procedure Orders, the Cross-border Claims Protocol, the Creditors' Meeting Order, the Cross-border Voting Protocol and the CCAA Plan provide for, among other things, (a) the Claims Bar Dates prior to which Affected Unsecured Creditors had to file Proofs of Claim in order to be entitled to vote on the Resolution, (b) the procedures pursuant to which the validity and value of the Claims of Affected Unsecured Creditors are determined for voting and distribution purposes, and (c) the conversion of Claims denominated in foreign currency into Canadian dollars. The Cross-border Claims Protocol supplements the procedures established in the Claims Procedure Orders with respect to the filing and determination of Claims against the Cross-border Debtors.

Claims Bar Dates

Pursuant to the First Claims Procedure Order, the Monitor published on September 10 and 15, 2009, respectively, the Newspaper Notice (a) in the Designated Newspapers, and (b) on the Monitor's Website, and the First Claims Package in English and French. Pursuant to the Third Claims Procedure Order, the Monitor posted on February 23, 2010 on the Monitor's Website, the Second Claims Package in English and French. In addition, the Monitor has sent to all known Affected Unsecured Creditors a copy of the Claims Packages, the First Claims Procedure Order and the Third Claims Procedure Order, along with additional instruction letters to specific groups of creditors as provided for in the Claims Procedure Orders.

In order for an Affected Unsecured Creditor to be entitled to attend and vote, in person or by proxy, at the Creditors' Meeting in respect of each Affected Unsecured Creditor Class to which such Affected Unsecured Creditor belongs, and receive distributions pursuant to the CCAA Plan, the Monitor must have received a Proof of Claim in respect of that Affected Unsecured Creditor's Affected Claims on or before the Claims Bar Dates as specified in the Claims Procedure Orders or otherwise allowed by the Court. An Affected Unsecured Creditor desiring to have another Person attend and vote on its behalf at the Creditors' Meeting in respect of an Affected Unsecured Creditor Class to which it belongs must appoint a proxy in accordance with the procedures specified hereinbelow.

With respect to Affected Claims (other than a Restructuring Claim arising after April 7, 2010), the Claims Bar Dates were set at November 13, 2009 or April 7, 2010 depending on the type of Affected Claims. Although a brief summary of these Orders is included below, creditors are advised that they must refer to the Claims Procedure Orders in order to determine in which category their Claims fall and which Claims Bar Date applies:

(a) the November 13, 2009 bar date set forth in the First Claims Procedure Order applied to most Claims against the Applicants, including claims arising as a result of or in connection with the repudiation, breach, termination or restructuring by the Applicants of any contract, lease or other agreement between April 17, 2009 and August 31, 2009, save and except for: (i) Restructuring Claims, as defined in the First Claims Procedure Order; (ii) Claims of an employee of any of the Applicants who was employed by that Applicant as of April 16, 2009; (iii) Claims asserted by any Person, including pension plan administrators, or pension authorities, in respect of the twenty registered pension plans for the Applicants' Canadian employees; (iv) Noteholder Claims and Claims asserted by the Applicants' Pre-Petition Lenders (as said terms are defined in the First Claims Procedure Order); (v) any Inter-company Claim (as said term is defined in the First Claims Procedure Order); and (vi) Claims secured by administration charges, D&O charges and DIP charges as set out in the Initial Order.

(b) the April 7, 2010 bar date set forth in the Third Claims Procedure Order applied to most Claims excluded from the November 13, 2009 bar date under the First Claims Procedure Order (including, without limitation (i) any Claims by employees who were employed by the Applicants as at April 16, 2009 or thereafter; and (ii) Restructuring Claims as defined herein), though in the case of Restructuring

Claims arising after April 7, 2010, the applicable bar date has been set at 30 days after the date of mailing by the Monitor of a notice advising the Affected Unsecured Creditor to file a Second Canadian Proof of Claim as a result of any event giving rise to a Restructuring Claim. Certain claims have remained excluded from the April 7, 2010 bar date under the Third Claims Procedure Order however, namely: (i) Claims secured by administration charges, D&O charges and DIP charges as set out in the Initial Order; (ii) any Inter-company Claim (as said term is defined in the First Claims Procedure Order); and (iii) any Claim for amounts owed in respect of ordinary payroll obligations or for the reimbursement of expenses scheduled to be paid in the ordinary course.

Pursuant to the Fourth Claims Procedure Order, and notwithstanding the Claims Bar Dates, the Claims filed with the Monitor against the Applicants which fall within the following categories will be deemed to be timely filed with the Monitor for the purposes of the Applicants Claims process: (i) trade Claims and employee Claims which were filed after the Claims Bar Dates; (ii) Claims by former employees who were not employed as of April 16, 2009 and which were filed after the Claims Bar Dates; (iii) Claims by creditors of the Cross-border Debtors which were not filed but which are nevertheless scheduled Claims; and (iv) Claims filed by Creditors with Epiq Bankruptcy Solutions, LLC pursuant to the Chapter 11 Cases that should have been filed against the Applicants pursuant to the Claims Procedure Orders.

If an Affected Unsecured Creditor has failed to file its Proof of Claim or Second Canadian Proof of Claim or if no such proof of claim has been filed on its behalf in accordance with the Creditors' Meeting Order, the Claims Procedure Orders, the Cross-border Claims Protocol or the CCAA Plan prior to the relevant Claims Bar Dates, and provided such Affected Unsecured Creditor has not been permitted to file a late claim pursuant to the Claims Procedure Orders, that Affected Unsecured Creditor shall be forever barred from voting at the Creditors' Meeting in respect of the Affected Unsecured Creditor Class to which it belongs and from receiving any distribution under the CCAA Plan, and the Applicants will be released from the Affected Claims of such Affected Unsecured Creditor and Section 6.10(b) of the CCAA Plan will apply to all such Claims.

Examination of Proofs of Claim

In accordance with the Claims Procedure Orders, the Monitor has the discretion to determine the adequacy of compliance in respect of a Proof of Claim and may waive strict compliance with the Claims Procedure Orders if it is satisfied that a Claim has been adequately proven.

The Monitor, together with the Applicants, has examined or will examine each Proof of Claim filed, and has either accepted, revised or rejected each Proof of Claim. If a Claim is accepted by the Monitor for voting purposes, the Monitor may, but is not required to, send notice of such acceptance to the Affected Unsecured Creditor. If the Monitor decides to revise or reject a Proof of Claim for voting purposes, the Monitor will deliver a Notice of Revision or Disallowance in respect of the Affected Unsecured Claim. The Affected Unsecured Creditor who receives such a Notice of Revision or Disallowance and wishes to dispute it must, within ten Business Days of the receipt thereof, send a Notice of Dispute to the Monitor setting out the basis for its dispute. The Monitor, with the assistance of the Applicants, will attempt to consensually resolve the Disputed Claim. If the matter is not consensually resolved in a time period that the Monitor believes is appropriate, the Monitor will, after consultation with the Applicants, refer the Claim to a Claims Officer or to the Court or, in the case of a grievance filed on behalf of the Applicants' current or former employees, to a Grievance Claims Officer. If the Affected Unsecured Creditor does not provide such a Notice of Dispute within the prescribed time period, such Affected Unsecured Creditor will be deemed to have accepted the determination of its Claim as set out in the Notice of Revision or Disallowance. The Applicants, the Affected Unsecured Creditor or the Unsecured Creditors' Committee, if applicable, may appeal a Claims Officer's or Grievance Claims Officer's determination with respect to a Disputed Claim within ten Business Days of notification of such determination. If an appeal is not filed within such time period, then the Claims Officer's or Grievance Claims Officer's determination will be deemed to be final and binding and will be a Voting Claim.

D. Voting At Creditors' Meeting

Classification of Affected Claims

Subject to certain deeming provisions on voting described under "*The CCAA Plan – Description of the CCAA Plan – Required Approvals*" for the purpose of voting on, and distributions pursuant to, the CCAA Plan, the Affected Claims are divided into 20 classes as set out below:

(i) the ACI Affected Unsecured Creditor Class;

(ii) the ACCC Affected Unsecured Creditor Class;

(iii) the 15.5% Guarantor Applicant Affected Unsecured Creditor Classes, being 10 classes of Affected Unsecured Creditors grouped in accordance with their Affected Claims against each of the 15.5% Guarantor Applicants, which Affected Claims only include 15.5% Senior Unsecured Notes Claims;

(iv) the Saguenay Forest Products Affected Unsecured Creditor Class;

(v) the BCFPI Affected Unsecured Creditor Class;

(vi) the BCFC Affected Unsecured Creditor Class;

(vii) the AbitibiBowater Canada Affected Unsecured Creditor Class;

(viii) the Bowater Maritimes Affected Unsecured Creditor Class;

(ix) the ACNSI Affected Unsecured Creditor Class;

(x) the Office Products Affected Unsecured Creditor Class; and

(xi) the Recycling Affected Unsecured Creditor Class.

Without limitation to the provisions of any Law prohibiting double recovery and subject to the provisions of the CCAA Plan, for voting and distribution purposes, in respect of all Affected Creditors and their rights in respect of Affected Claims: (i) all guarantees of an Applicant of the payment or performance by another Applicant with respect to any Affected Claim will be recognized; (ii) each Affected Claim and all guarantees by an Applicant of such Affected Claim will be treated as multiple Affected Claims against the Applicants; and (iii) any joint obligation of any Applicant with another Applicant will be treated as two separate Affected Claims against the Applicants, provided, however, that the aggregate recovery on account of any Proven Claim or Allowed Claim (as defined under the U.S. Plan) from all sources, including distributions under the CCAA Plan, the U.S. Plan or a combination of both, regardless of whether on account of a theory of primary or secondary liability, by reason of guarantee, surety indemnity, joint and several obligations or otherwise, shall not exceed (a) 100% of the underlying indebtedness, liability or obligation giving rise to such Claim, or (b) where the underlying indebtedness, liability or obligation giving rise to such Claim is denominated in a currency (the "**Original Currency**") other than Canadian dollars, 100% of such underlying indebtedness, liability or obligation after conversion of the value of the distributions received in Canadian dollars back to the Original Currency at the Bank of Canada noon spot rate of exchange for exchanging Canadian dollars to the Original Currency on the date of applicable Initial Distribution Date, Interim Distribution Date or the Final Distribution Date.

To the extent that any Claim is both a Proven Claim against a Cross-border Debtor under the CCAA Plan and an Allowed Claim (as defined in the U.S. Plan) against the same Cross-border Debtor under the U.S. Plan (each an "**Allowed Cross-border Claim**"), (i) there shall only be a single recovery on account of such Allowed Cross-border Claim under the CCAA Plan and the U.S. Plan, and (ii) the aggregate distribution which such Allowed Cross-border Claim shall receive, whether under the CCAA Plan or the U.S. Plan or a combination of both, shall not exceed the greatest distribution which such Allowed Cross-border Claim would be entitled to receive under the CCAA Plan or the U.S. Plan.

Voting Procedure

The Applicants will seek approval of the CCAA Plan by the affirmative vote of the Required Majorities. Any resolution, including the Resolution in respect of each Affected Unsecured Creditor Class, to be voted on at a Creditors' Meeting to approve, amend, vary or supplement the CCAA Plan, will be decided by the Required Majorities on a vote by ballot, and any other matter submitted for a vote at any Creditors' Meeting will be decided by a majority of votes cast on a vote by a show of hands, unless the Chair decides, in his or her sole discretion, to hold such vote by way of ballot, provided, however, that each vote of a 15.5% Senior Unsecured Notes Creditor by way of ballot or show of hands in respect of the ACCC Affected Unsecured Creditor Class will be deemed to be a vote in respect of such 15.5% Senior Unsecured Notes Creditor's 15.5% Senior Unsecured Notes Claims comprised in each of the Affected Unsecured Creditor Classes set forth in the CCAA Plan, including the ACI Affected Unsecured Creditor Class, Saguenay Forest Products Affected Unsecured Creditor Class, ACNSI Affected Unsecured Creditor Class, Office Products Affected Unsecured Creditor Class, Recycling Affected Unsecured Creditor Class and 15.5% Guarantor Applicant Affected Unsecured Creditor Classes. The result of any vote will be binding on all Affected Unsecured Creditors in the respective Affected Unsecured Creditor Class, whether or not any such Affected Unsecured Creditor is present and voting (in person or by proxy) at the Creditors' Meeting for such Affected Unsecured Creditor Class.

Each Affected Unsecured Creditor with a Voting Claim as of the Voting Record Date or its proxy holder is entitled to one vote and the weight attributed to such vote (for the purposes of determining the Required Majorities) will be equal to the aggregate Canadian dollar value of such Affected Unsecured Creditor's Voting Claim (if necessary, converted into Canadian dollars in accordance with the Creditors' Meeting Order and the CCAA Plan). For the purpose of calculating a majority in number of an Affected Unsecured Creditor Class, each individual Non-registered Noteholder will only be counted once, without duplication, even if that Non-registered Noteholder holds Canadian Unsecured Notes through more than one registered holder of Canadian Unsecured Notes or Participant Noteholders, and each Affected Unsecured Creditor of an Applicant with a Proven Claim will only be counted once even if such Affected Unsecured Creditor holds more than one Proven and/or Disputed Claim that has been approved for voting purposes against such Applicant. For greater certainty, only beneficial owners of Canadian Unsecured Notes (and not registered holders of Canadian Unsecured Notes or Participant Noteholders unless they are also beneficial holders of Canadian Unsecured Notes) will be entitled to vote their Proven Claims in respect of the Canadian Unsecured Notes as provided for in the Creditors' Meeting Order.

If the amount of the Affected Claim of any Affected Unsecured Creditor is not resolved for voting purposes before the Voting Record Date in accordance with the Claims Procedure Orders, the Cross-border Insolvency Protocol, the Cross-border Voting Protocol and the Creditors' Meeting Order, such Affected Unsecured Creditor will be entitled to vote at the Creditors' Meeting in respect of the Affected Unsecured Creditor Class to which it belongs based on that portion of its Affected Claim which has been accepted for voting purposes by the Monitor, without prejudice to the rights of the Applicants, or the Affected Unsecured Creditor, with respect to the final determination of the Affected Unsecured Claim for distribution purposes in accordance with the terms of the Claims Procedure Orders, the Creditors' Meeting Order and the CCAA Plan.

Affected Unsecured Creditors whose Affected Claims have been revised or disallowed, in full or in part, which revision or disallowance remains in dispute or under appeal in accordance with the Claims Procedure Orders and the Cross-border Claims Protocol, will have their voting intentions with respect to such disputed or disallowed amounts recorded by the Monitor and reported to the Court in accordance with the Creditors' Meeting Order.

Transfer of Voting Claims

No assignee, transferee or purchaser of any Voting Claim who acquired or became the assignee or transferee of such Voting Claim after the Voting Record Date will have any right or entitlement whatsoever to attend or vote at, either in person or by proxy, any Creditors' Meeting.

Any transferee, assignee or acquirer of a Voting Claim who acquired or became the assignee or transferee of such a Voting Claim on or prior to the Voting Record Date but whose name does not appear as of the Voting Record Date as the Holder of such transferred or assigned Voting Claim, may, prior to the Voting Record Date, deliver evidence satisfactory to the Monitor (A) of its ownership of the whole of such Voting Claim as of the Voting Record Date, and (B) that such transfer or assignment was valid at Law, in order to be entitled to (i) receive from the Monitor a package containing the Creditors' Meeting Materials and the relevant Form of

Proxy, (ii) be included on the list of Affected Unsecured Creditors entitled to vote at the Creditors' Meeting held in respect of the Affected Unsecured Creditor Class to which it belongs, and (iii) attend and vote, either in person or by proxy, the transferor's or assignor's Voting Claim at the relevant Creditors' Meeting in lieu and to the exclusion of the transferor's or assignor's right to attend and vote at the Creditor's Meeting with respect to the transferred Voting Claim.

Transfer or Assignment of Affected Claims

For purposes of determining entitlement to receive any distribution pursuant to the CCAA Plan, the Applicants, the Disbursing Agent and the Servicers, and each of their respective agents, successors and assigns, shall have no obligation to recognize any transfer or assignment of any Affected Claim unless and until notice of the transfer or assignment from either the transferor, assignor, transferee or assignee, together with evidence showing ownership, in whole or in part, of such Affected Claim and that such transfer or assignment was valid at law, has been received by the affected Applicants, the Disbursing Agent or the Servicer, as the case may be, at least five Business Days prior to the Initial Distribution Record Date, any Interim Distribution Record Date or the Final Distribution Date, as applicable.

Solicitation of Proxies

The solicitation of proxies on behalf of the Applicants will be primarily by mail and the costs of such solicitation will be paid by the Applicants as a cost of the CCAA Proceedings.

Voting by Proxy

Each Affected Unsecured Creditor entitled to vote at any Creditors' Meeting may vote at such Creditors' Meeting in person or by proxy. A Form of Proxy for use at the Creditors' Meetings accompanies this Circular. An Affected Unsecured Creditor may use the enclosed Form of Proxy to appoint its proxy holder and may appoint any Person (who does not have to be an Affected Unsecured Creditor) to act on its behalf at any Creditors' Meeting by inserting that Person's name in the blank space provided on the Form of Proxy enclosed with this Circular. If no name has been inserted in the space provided, the Affected Unsecured Creditor will be deemed to have appointed any officer of the Monitor, in its capacity as Monitor, or such other Person as the Monitor may designate, as proxy holder of the Affected Unsecured Creditor, with full power of substitution, to attend on behalf of and act for the Affected Unsecured Creditor at the Creditors' Meeting in respect of the Affected Unsecured Creditor Class to which it belongs and at any and all adjournments, postponements or other rescheduling thereof. A Form of Proxy must be signed by the Affected Unsecured Creditor or its attorney duly authorized in writing or, if the Affected Unsecured Creditor is not an individual, by its duly authorized officer or attorney. A Form of Proxy signed by a Person acting as attorney, or in some other representative capacity, should indicate such Person's capacity, and the Monitor may request that the appropriate instrument evidencing qualification and authority to act be provided.

In order to be used at any Creditors' Meeting, a Form of Proxy must be sent to the Monitor by (a) first class mail in the pre-paid, pre-addressed return envelope provided with the Form of Proxy, or (b) personal delivery, overnight courier or first class mail, or (c) by facsimile or e-mail at the coordinates set out below, such that it is received at any time prior to 5:00 p.m. (Montreal time) on September 13, 2010 or at any time prior to 5:00 p.m. (Montreal time) on the Business Day immediately preceding the date set for any adjournment, postponement or rescheduling of such Creditors' Meeting:

By mail:	Ernst & Young Inc. 800 René-Lévesque Blvd. West Suite 2000 Montreal, Québec H3B 1X9 Canada Attention: ABH et al. Creditors' Meeting
By facsimile:	514-879-3992
By e-mail:	abitibibowater@ca.ey.com

Forms of Proxy may also be deposited with the Chair prior to the commencement of any Creditors' Meeting or any adjournment, postponement or rescheduling thereof. Forms of Proxy submitted by facsimile or other electronic submission will not be counted.

Any Affected Unsecured Creditor's Form of Proxy will be voted in any ballot in accordance with the Affected Unsecured Creditor's instruction to vote for or against the approval of the Resolution and any other matters before the Creditors' Meeting in respect of each Affected Unsecured Creditor Class to which such Affected Unsecured Creditor belongs. In the absence of such instruction, the Form of Proxy will be voted **FOR** the approval of the Resolution to approve the CCAA Plan in respect of such Affected Unsecured Creditor Class.

The Form of Proxy enclosed with this Circular confers discretionary authority upon the Persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to any other matter that may properly come before any Creditors' Meeting. The Applicants may amend the CCAA Plan by written instrument at any time and from time to time before and during any Creditors' Meeting in accordance with the terms of the CCAA Plan. After any Creditors' Meeting, the Applicants may amend the CCAA Plan, as approved by the Affected Unsecured Creditors, without the need for obtaining an Order if the Monitor determines that the proposed amendment is of an administrative nature and is not materially prejudicial to the interests of the Affected Unsecured Creditors under the CCAA Plan and is necessary to give full effect to the intent of the CCAA Plan or the Sanction Order.

Revocation of Proxies

An Affected Unsecured Creditor who has submitted voting instructions in a duly signed and completed Form of Proxy may revoke such instructions by an instrument in writing, including a later-dated Form of Proxy, executed by such Affected Unsecured Creditor or its attorney duly authorized in writing or, if the Affected Unsecured Creditor is not an individual, by a duly authorized officer or attorney, and delivered to the office of the Monitor as described above at any time prior to 5:00 p.m. (Montreal time) on the last Business Day before the Creditors' Meeting in respect of the Affected Unsecured Creditor Class to which such Affected Unsecured Creditor belongs or the date set for any adjournment, postponement or rescheduling thereof, or to the Chair prior to the commencement of such Creditors' Meeting or any adjournment, postponement or rescheduling thereof.

Election Notice

Any Affected Unsecured Creditor with a Proven Claim equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) may elect not to receive a Cash distribution as provided under the CCAA Plan by duly completing the Election Notice provided in a Form of Proxy and shall complete, sign, send or deposit such Form of Proxy within the time provided in paragraph 38 or 39 of the Creditors' Meeting Order, as the case may be, failing which such Affected Unsecured Creditor will be deemed to have elected to receive a Cash distribution.

Any Affected Unsecured Creditor with a Proven Claim of more than Cdn$6,073 may elect to have its Proven Claim reduced, for distribution purposes only, to Cdn$6,073 in order to receive in full and final satisfaction of its Proven Claims, a Cash distribution of Cdn$3,036.50 (being 50% of Cdn$6,073) by duly completing the Election Notice provided in a Form of Proxy and shall complete, sign, send or deposit such Form of Proxy within the time provided in paragraph 38 or 39 of the Creditors' Meeting Order, as the case may be, failing which such Affected Unsecured Creditor will be deemed to have elected to receive its Pro Rata share of New ABH Common Stock.

Any Affected Unsecured Creditor who intends to attend the Creditors' Meeting in respect of the Affected Unsecured Creditor Class to which it belongs and wishes to make one of the above-mentioned elections must complete and sign the Election Notice and deposit it with the Monitor or the Chair of the Creditors' Meetings before the commencement of such Creditors' Meeting.

All such Election Notices once delivered to the Monitor or the Chair will be final, unconditional and irrevocable, and no Affected Unsecured Creditor will be entitled to change, revoke or withdraw its election for a Cash distribution after receipt by the Monitor of the relevant Form of Proxy.

Non-registered Noteholders

Canadian Unsecured Notes (other than the 0% Unsecured Notes) owned by a Non-registered Noteholder are usually registered either:

(a) in the name of an intermediary that the Non-registered Noteholder deals with in respect of the Canadian Unsecured Notes. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered Registered Education Savings Plan, Registered Retirement Income Fund, Registered Retirement Savings Plan and similar plans; or

(b) in the name of a depository such as DTC or CDS.

The Applicants have distributed copies of the Creditors' Meeting Materials to DTC, CDS and intermediaries for onward distribution to Non-registered Noteholders.

Intermediaries are required to forward the Creditors' Meeting Materials to Non-registered Noteholders unless a Non-registered Noteholder has waived the right to receive them. Typically, intermediaries will use a service company to forward the Creditors' Meeting Materials to Non-registered Noteholders.

Non-registered Noteholders will receive a Non-registered Noteholder Proxy or another document based on the standard practice of the intermediaries. The purpose of these documents is to permit Non-registered Noteholders to direct the voting of the Canadian Unsecured Notes they beneficially own.

The Non-registered Noteholder Proxy that Non-registered Noteholders will receive, as part of the Creditors' Meeting Materials, has already been partially completed and signed by the intermediary (typically by a facsimile, stamped signature) and indicates the number of Canadian Unsecured Notes beneficially owned by the Non-registered Noteholder in respect of which the Non-registered Noteholder is requested to vote. If the Non-registered Noteholder does not wish to attend and vote at the Creditors' Meeting, in respect of each Affected Unsecured Creditor Class to which such Non-registered Noteholder belongs, in person (or have another person attend and vote on the Non-registered Noteholder's behalf), the Non-registered Noteholder must either (i) complete the Non-registered Noteholder Proxy and deposit it with the Monitor in accordance with the directions specified on the Non-registered Noteholder Proxy, or (ii) follow the voting instructions provided to them by the intermediary. If a Non-registered Noteholder wishes to attend and vote at the Creditors' Meeting, in person (or have another person attend and vote on the Non-registered Noteholder's behalf), the Non-registered Noteholder must strike out the names of the persons named in the Non-registered Noteholder Proxy and insert the Non-registered Noteholder's (or such other person's) name in the blank space provided.

The Non-registered Noteholders shall follow the voting instructions specified on their Non-registered Noteholder Proxy or another document based on the standard practice of the intermediaries and contact their broker or intermediaries promptly if they need assistance with the Non-registered Noteholder Proxy.

Cross-border Voting Creditors

Cross-border Voting Creditors will receive a form of Joint Proxy/Ballot to permit them to direct the voting of their Claims against Cross-border Debtors. See "*Cross-border Voting Protocol*". An Election Notice is also included in a Cross-border Voting Creditor's form of Joint Proxy/Ballot.

Monitor's Report

On or before September 3, 2010, the Monitor will serve a report of the CCAA Plan and a report of the Applicants' business and financial affairs on all known interested parties, including those Persons listed on the Service List published on the Monitor's Website will file such report with the Court and will publish it on the Monitor's Website.

E. RIGHTS OFFERING

Affected Unsecured Creditors should refer to "*Rights Offering*" for details on the Rights Offering, including eligibility and subscription details.

III. INFORMATION ABOUT ABH, THE APPLICANTS AND THE BUSINESS

A. CORPORATE STRUCTURE

AbitibiBowater Inc.

ABH was created under the Laws of Delaware in connection with the October 29, 2007 combination of Bowater and ACI in a merger of equals (the "**Combination**"). As a result of the Combination, Bowater and ACI became Subsidiaries of ABH. ABH is the largest producer of newsprint in the world by capacity and one of the largest publicly traded forest products companies in the world. Excluding facilities ABH has permanently closed, ABH owns or operates 22 pulp and paper manufacturing facilities located in Canada, the United States and South Korea and 24 wood products facilities in Canada. ABH produces a wide variety of newsprint, coated specialty papers, market pulp and wood products, which are marketed in over 90 countries. The registered office of ABH is located at 1209 Orange Street, Wilmington, Delaware, 19801, United States, and the principal office is located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Since the Combination, the ACI Group, together with its former subsidiary, Donohue and its Subsidiaries, and the Bowater Group have operated distinctly within the corporate enterprise for cash flow and finance purposes. Both groups maintain separate accounting systems capable of tracking cash flows within ACI and Bowater, respectively.

ABH itself functions as a holding company with no independent operations. It principally conducts its business through four direct Subsidiaries: Bowater (and its Canadian Subsidiary BCFPI), Newsprint South, ACI (and its Subsidiary ACCC), and AbitibiBowater Holding. Bowater and its former Subsidiary, Newsprint South, and their direct and indirect Subsidiaries, including BCFPI, comprise the Bowater Group. AbitibiBowater Holding functions as the holding company for the Donohue Group.

Abitibi-Consolidated Inc.

ACI was incorporated on May 30, 1997 under the CBCA and is a wholly-owned Subsidiary of ABH. ACI resulted from the 1997 amalgamation of Abitibi-Price Inc. (incorporated in 1914) and Stone-Consolidated Corporation (itself the result of a merger with Rainy River Forest Products Inc., incorporated in 1941) under the CBCA. In 2000, ACI acquired all the shares of Donohue, a major Canadian integrated forest products company engaged in forest management and in the manufacturing and sale of newsprint, specialty papers, market pulp and wood products with mills located in Québec, Ontario, British Columbia and Texas. Donohue became a direct Subsidiary of AbitibiBowater Holding (itself a direct Subsidiary of ABH) in 2008 as part of ABH's restructuring efforts. The registered and principal offices of ACI are located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Abitibi-Consolidated Company of Canada

ACCC was created by way of an amalgamation in March 1997 under the Laws of Québec. ACCC is a wholly owned Subsidiary of ACI. ACCC has no operations that are independent of ACI and substantially all of its sales are made to ACI and its affiliated companies. ACCC produces a wide range of newsprint, specialty papers and wood products globally. Excluding facilities ABH has permanently closed, ACCC currently owns or operates 11 paper facilities and 19 wood products facilities in North America and seven hydroelectric facilities located in the Province of Québec. The registered and principal offices of ACCC are located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Bowater Canadian Forest Products Inc.

BCFPI is a Nova Scotia company wholly owned by AbitibiBowater Canada with operating paper-manufacturing sites in Canada and, through a subsidiary, a paper-manufacturing site in Korea. BCFPI also supplies wood to paper mills and sawmills in Canada and is responsible for the marketing and sales of Canadian lumber products. The registered office of BCFPI is located at 1959 Upper Water Street, Suite 900, Halifax, Nova Scotia, B3J 2X2, Canada, and the principal office is located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Bowater

Prior to the Combination, Bowater was one of the largest publicly traded pulp and paper manufacturers in the world. Incorporated in Delaware in 1964 and in operation since 1938, Bowater was a leading producer of newsprint and coated mechanical papers as well as uncoated mechanical papers, bleached kraft pulp, and lumber products. In 1998, Bowater acquired Avenor Inc., an important Canadian integrated forest products company headquartered in Montreal, Québec. The acquisition added the Dalhousie, New Brunswick; Gatineau, Québec; Maniwaki, Québec; Thunder Bay, Ontario; and Usk, Washington mills to Bowater's operations. In 2001, Bowater acquired Alliance Forest Products Inc., also headquartered in Montreal, Québec, adding ten Canadian sawmills, the Coosa Pines, Alabama, and the Donnacona and Dolbeau, Québec paper mills to Bowater's operations.

AbitibiBowater U.S. Holding LLC

AbitibiBowater Holding is a limited liability company organized under Delaware Law. AbitibiBowater Holding was initially incorporated on March 28, 2008 under the name AbitibiBowater Holding U.S. 2 Inc. AbitibiBowater Holding U.S. 2 Inc. was later changed to a limited liability company and was renamed as AbitibiBowater U.S. Holding LLC. AbitibiBowater Holding is a wholly-owned Subsidiary of ABH, formed as the holding entity for the Donohue Group operations. The registered office of AbitibiBowater Holding is located at Corporation Service Corporation, 2711 Centerville Road, Suite 400, Wilmington Delaware, 19808, United States, and the principal office is located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada. AbitibiBowater Holding is the parent of Donohue.

Newsprint South

Newsprint South is a limited liability company organized on July 25, 2000 under Delaware Law. Newsprint South is a direct, wholly-owned Subsidiary of ABH. Newsprint South owns the Grenada Mill and the Coosa Pines Operation. The registered office of Newsprint South is located at Corporation Service Corporation, 2711 Centerville Road, Suite 400, Wilmington Delaware, 19808, United States, and the principal office is located at 1155 Metcalfe Street, Suite 800, Montreal, Québec, H3B 5H2, Canada.

Partnerships and Joint Ventures

The following partnerships benefit from the Stay of Proceedings: Bowater Canada Finance Limited Partnership, Bowater Pulp and Paper Canada Holdings Limited Partnership and Abitibi-Consolidated Finance LP. Several of ABH's Subsidiaries operate production facilities that are jointly owned with third parties.

The most significant equity interests in production facilities that are jointly owned by the Company with third parties include:

- ACCC holds a 75% equity interest in ACH LP;
- ACI holds a 51% equity interest in Donohue Malbaie;
- Bowater Canadian Limited holds a 51% equity interest in Bowater Mersey;
- ACSC, and an unrelated third party, ANI, an indirect subsidiary of The Woodbridge Company Limited, respectively hold a 52.5% and 47.5% equity interest in ANC;
- Calhoun Newsprint Company functions as an ownership vehicle for The Herald Company's 49% equity interest in certain assets located at the ABH's Calhoun, Tennessee operations. Bowater Nuway Inc., owns Calhoun Newsprint Company's remaining equity interest; and
- Lake Superior Forest Products Inc. holds a 40% equity interest in Ponderay Newsprint Company.

Bridgewater Administration

On February 2, 2010, Bridgewater filed for administration in the United Kingdom (the "**Bridgewater Administration**") pursuant to the United Kingdom Insolvency Act 1986, as amended. Bridgewater's board of directors appointed Ernst & Young LLP as joint administrators for the Bridgewater Administration, with responsibilities to manage the affairs, business and assets of Bridgewater. As a result of the filing for administration, ABH no longer has control over or the ability to influence Bridgewater's operations. Bridgewater's joint administrators recently announced the sale of the paper plant and all related machinery and equipment and operations ceased shortly after filing for administration. The Company now conducts its European sales operations through ACI, BCFPI and Bowater.

Foreign Operations

The Company owns and operates, through its indirect Subsidiary Bowater Korea Ltd., a newsprint mill in Mokpo, Korea. ABH's Korean mill sells products primarily to customers in Asia.

B. OVERVIEW OF BUSINESS OPERATIONS

Products and Facilities

The Company manages its business along product lines. Its reportable segments are newsprint, commercial printing papers (*i.e.*, coated and specialty papers), market pulp and wood products. In general, its products are globally-traded commodities and are marketed in more than 90 countries. Pricing and the level of shipments of these products will continue to be influenced by the balance between supply and demand as affected by global economic conditions, changes in consumption and capacity, the level of customer and producer inventories and fluctuations in currency exchange rates.

(a) Newsprint

The Company owns or operates 12 newsprint facilities in North America and South Korea. The Company is the largest producer of newsprint in the world by capacity, with worldwide capacity estimated at 3.3 million metric tons, excluding indefinitely idled mills (or approximately 9% of worldwide capacity), and its North American production capacity is approximately 3.1 million metric tons, representing about 37% of North American capacity in 2009.

The Company supplies leading publishers with top-quality newsprint, including products made of up to 100% recycled fiber and distributes its newsprint by rail, truck and ship. The Company's North American newsprint is sold directly by the regional sales offices. Export markets are serviced primarily through the international offices located in or near the markets the Company supplies or through international agents. In 2009, approximately 45% of the Company's total newsprint shipments were to markets outside of North America.

The Company sells newsprint to various joint venture partners who are co-owners of certain mills that it operates. During 2009, these joint venture partners purchased approximately 431,000 metric tons from the Company consolidated entities, which represented approximately 14% of the total newsprint tons sold in 2009.

(b) Coated Papers

The Company produces coated mechanical paper at one facility in North America and is one of the largest producers of coated mechanical paper in North America, with a capacity of approximately 658,000 metric tons in 2009, or approximately 15% of North American capacity in 2009. The coated papers are used in magazines, catalogs, books, retail advertising, direct mail and coupons. The Company sells coated papers to major commercial printers, publishers, catalogers and retailers and distributes these papers by truck and rail. Export markets are serviced primarily through international agents.

(c) Specialty Papers

The Company produces specialty papers at 11 facilities in North America. It is one of the largest producers of specialty papers, including supercalendered, superbright, high bright, bulky book and directory papers in North America, with a capacity of approximately 1.8 million metric tons in 2009, excluding indefinitely idled mills, or approximately 36% of North American capacity. The specialty papers are used in books, retail advertising, direct mail, coupons and other commercial printing applications. The Company sells specialty papers to major commercial printers, direct mailers, publishers, catalogers and retailers and distributes it by truck and rail. Export markets are serviced primarily through international agents.

(d) Market Pulp

Wood pulp is the most common material used to make paper. Pulp shipped and sold as pulp – as opposed to being processed into paper in the same facility – is commonly referred to as market pulp. Mechanical, chemical, and thermomechanical pulping are the three primary pulping processes for virgin fiber (*i.e.*, wood chips or sawdust). In 2009, the Company produced approximately 1.1 million metric tons of market pulp at five facilities in North America, which represents about 7% of North American capacity. Market pulp is used to make a range of consumer products including tissue, packaging, specialty paper products, diapers and other absorbent products. North American market pulp sales are made through regional sales offices, while export sales are made through international sales agents local to their markets. Market pulp is distributed by truck, rail and ship.

(e) Wood Products

The Company operates 18 sawmills in Canada that produce construction-grade lumber sold in North America. The Company's sawmills have an annual capacity of approximately 2.2 billion board feet of lumber. In addition, the sawmills are a major source of wood chips for the Company's pulp and paper mills. The Company also operates six facilities in Canada that remanufacture or engineer wood for greater strength for specialized use in applications such as bedding components, roofing and flooring material and other products.

(f) Other Products

The Company also sells pulpwood, sawtimber, wood chips and electricity to customers located in Canada and the United States. Sales of these other products are considered a recovery of the cost of manufacturing the primary products.

Raw Materials

The Company's operations consume substantial amounts of raw materials such as wood, recovered paper, chemicals, and energy, including electricity, natural gas, fuel oil, coal and wood waste, in the manufacturing of its pulp, paper and wood products. The Company purchases raw materials and energy sources (except internal generation) primarily on the open market.

(a) Wood

The Company's sources of wood include property it owns or leases, property on which it possesses cutting rights, and purchases from local producers, including sawmills that supply residual wood chips. As of June 30, 2010, the Company owned or leased approximately 815,000 acres of timberlands, principally in Canada but also in the southeastern United States. The Company also has contractual cutting rights on approximately 39.8 million acres of government owned land in Canada. The contractual cutting rights contracts are approximately 20 to 25 years in length and automatically renew every five years, contingent upon the Company's continued compliance with environmental performance and reforestation requirements.

In accordance with the values of the Company, its environmental vision statement and forestry policies, and in the interests of the customers and other stakeholders, the Company is committed to implementing and maintaining environmental management systems at its woodlands and wood procurement operations to promote the conservation and sustainable use of forests and other natural resources. All of its managed forest lands are third-party certified to one or more globally recognized sustainable forest management standards, including those of the Sustainable Forestry Initiative, Canadian Standards Association and Forest Stewardship Council. The Company has implemented fiber tracking systems at its mills to ensure that the wood fiber supply comes from acceptable sources such as certified forests and legal harvesting operations. At several of the mills, these systems are third-party certified to recognize chain of custody standards and others are in the process of being certified.

The Company strives to improve its forest management and wood fiber procurement practices and encourages its wood and fiber suppliers to demonstrate continual improvement in forest resource management, wood and fiber procurement and third-party certification.

(b) Recovered Paper

The Company is among one of the largest global recyclers of newspapers and magazines, and has a number of recycling plants that utilize advanced mechanical and chemical processes to manufacture high quality pulp from a mixture of old newspapers and magazines ("**Recovered Paper**"). Using Recovered Paper, the Company produces, among other things, recycled fiber newsprint and uncoated specialty paper comparable in quality to paper produced with 100% virgin fiber pulp. The Company produces more than 30 grades with recycled content. The Coosa Pines, Thorold and Mokpo operations produce newsprint containing 100% recycled fiber. In 2009, the Company used 1.7 million metric tons of Recovered Paper worldwide, the average de-inking yield in its recycling facilities was approximately 78% and the recycled fiber content in newsprint averaged 39%.

In 2009, the Company's North American recycling division collected or purchased 1.3 million metric tons of Recovered Paper. The Company's trademark Paper Retriever® program collects recovered fiber through a combination of community drop-off containers and recycling programs with business and commercial offices. The Recovered Paper which the Company physically purchases is from suppliers generally within the region of its recycling plants primarily under long-term agreements.

(c) Energy

Steam and electrical power constitute the primary forms of energy used in pulp and paper production. Process steam is produced in boilers using a variety of fuel sources. All of the Company's mills produce 100% of their own steam requirements, except the Iroquois Falls mill, which purchases its steam from third party suppliers. In 2009, the Alma, Calhoun, Catawba, Coosa Pines, Fort Frances, Gatineau, Iroquois Falls, Kenogami, Mersey and Thunder Bay operations collectively consumed approximately 26% of their electrical requirements from internal sources, notably on-site cogeneration and hydroelectric stations. The balance of the Company's energy needs was purchased from third parties.

The Company has seven sites which operate cogeneration facilities and six of these sites generate "green energy" from carbon-neutral biomass. In addition, it utilizes alternative fuels such as methane from landfills, used oil, tire-derived fuel and black liquor to reduce consumption of virgin fossil fuels. The Company's hydroelectric assets include: Hydro Saguenay (seven installations), Fort Frances (three installations), Kenora (two installations) and Iroquois Falls (three installations), and represent an aggregate capacity of approximately 300 Megawatts. The Hydro Saguenay facilities, located in the province of Québec, are 100% owned by the Company and the others, located in the province of Ontario, are partly owned through the Company's 75% interest in ACH LP. The water rights agreements in respect of these facilities typically vary from 10 to 50 years and are generally renewable, under certain conditions, for additional terms. In certain circumstances, water rights are granted without expiration dates. In some cases, the agreements are contingent on the continued operation of the related paper mill and a minimum level of capital spending in the region.

Sales, Distribution and Procurement

Since the Combination, the Company has centralized most of its sales and customer service team (the "**Centralized Sales Team**") under Bowater America Inc. The Centralized Sales Team originates sales of the Company's products to customers in North America and around the world. Once originated, the Centralized Sales Team purchases (via inter-company allocations) the necessary products from the most rational producing entity within the Company which, once identified, ships the products directly to the customer or in some cases sells it to the appropriate Company selling entity, which then ships the products to the customer. Inter-company allocations account for the transactions between the Company's various entities.

The Company employs a largely centralized procurement team that operates in a manner similar to the Centralized Sales Team. The centralized procurement team purchases supplies from vendors on behalf of the Company and allocates materials to the appropriate corporate entity on an "as needed" basis. The Company allocates centrally invoiced purchases to the respective corporate entity that requires the raw goods, and uses inter-company credits and debits to account for the transaction. Centralized procurement allows the Company to benefit from volume discounts and otherwise facilitates the rationalization of the supply chain within the corporate group.

C. Industry Overview

In general, the Company's products are globally traded commodities, and the markets in which it competes are highly competitive and, aside from quality specifications to meet customer needs, the production of its products does not depend upon a proprietary process or formula. Pricing and the level of shipments of its products are influenced by the balance between supply and demand as affected by global economic conditions, changes in consumption and capacity, the level of customer and producer inventories and fluctuations in currency exchange rates. Any material decline in prices for the Company's products or other adverse developments in the markets for its products could have a material adverse effect on its results of operations or financial condition. Prices for the Company's products have been and are likely to continue to be highly volatile.

Newsprint, one of the Company's principal products, is produced by numerous manufacturers worldwide. In 2009, the five largest North American producers represented approximately 84% of the North American capacity for newsprint. The five largest global producers represented approximately 38% of global newsprint capacity. The Company's annual production capacity is approximately 12% of worldwide capacity. It faces actual and potential competition from both large global producers and numerous smaller regional producers. In recent years, a number of global producers of newsprint based in Asia, particularly China, have grown their production capacity. Price, quality, customer relationships and the ability to produce paper with recycled fiber are important competitive determinants.

The Company competes with eight other coated mechanical paper producers with operations in North America. In 2009, the five largest North American producers represented approximately 78% of the North American capacity for coated mechanical paper. In addition, several major offshore suppliers of coated mechanical paper compete for North American business. In 2009, offshore imports represented approximately 11% of North American demand. As a major supplier to printers and magazine/catalog publishers in North America, the Company competes with numerous worldwide suppliers of other grades of paper such as coated freesheet and supercalendered paper. The Company competes on the basis of price, quality and service.

The Company produced approximately 33% of North American uncoated mechanical paper demand in 2009 and was comprised mainly of supercalendered, superbright, high bright, bulky book and directory papers. The Company competes with numerous uncoated mechanical paper producers with operations in North America. In addition, imports from overseas represented approximately 6% of North American demand in 2009 and were primarily concentrated in the supercalendered paper market where they represent 13% of North American demand. The Company competes on the basis of price, quality, and service and breadth of product line.

The Company competes with eight other major market pulp suppliers with operations in North America along with other smaller competitors. Market pulp is a globally traded commodity for which competition exists in all major markets. The Company produces five major grades of market pulp (northern and southern hardwood, northern and southern softwood and fluff) and competes with other producers from South America (eucalyptus hardwood and radiata pine softwood), Europe (northern hardwood and softwood), and Asia (mixed tropical hardwood). Price, quality and service are considered the main competitive determinants.

In 2008, the Company fulfilled its commitment to obtain third-party certification for all of the land that it manages to globally-recognized sustainable forest management standards, such as the Sustainable Forestry Initiative and the Z809 standard of the Canadian Standards Association. In 2009, to further differentiate the Company's products from those of the competition and to better position itself to meet increasing demand for products certified to the Forest Stewardship Council, the Company achieved third-party certification for two forests, one in Québec and one in Ontario.

As with other global commodities, the competitive position of the Company's products is significantly affected by the volatility of currency exchange rates. The Company has operations in Canada, the United States and South Korea. Several of its primary competitors are located in Canada, Sweden, Finland and certain Asian countries. Accordingly, the relative rates of exchange between those countries' currencies and the United States dollar can have a substantial effect on its ability to compete. In addition, the degree to which it competes with foreign producers depends in part on the level of demand abroad. Shipping costs and relative pricing generally cause producers to prefer to sell in local markets when the demand is sufficient in those markets.

Trends in advertising, electronic data transmission and storage and the Internet could continue to adversely affect traditional print media, including the Company's products and those of its customers, but neither the timing nor the extent of those trends can be predicted with certainty. The Company's newspaper publishing customers in North America use and compete with businesses that use other forms of media and advertising, such as direct mailings and newspaper inserts (both of which are end uses for several of the Company's products), television and the Internet. U.S. consumption of newsprint declined in 2009 as a result of continued declines in newspaper circulation, declines in newspaper advertising volume and publishers' conservation measures, which include increased usage of lighter basis-weight newsprint and web-width and page count reductions. The Company's magazine and catalog publishing customers are also subject to the effects of competing media, including the Internet.

D. Employees

As of March 31, 2010, the Company employed approximately 11,900 people, of whom approximately 8,800 were represented by bargaining units. The Company's Unionized Employees are represented predominantly by the CEP in Canada and predominantly by the United Steelworkers International in the United States.

Please refer to "*The CCAA Plan – Arrangement with Unions*".

E. Management

Board

The Board of ABH currently consists of twelve members. Ten of the twelve members are independent directors, within the meaning of the corporate governance standards of the NYSE. The directors of ABH are as follows:

Richard B. Evans	*Lise Lachapelle*
John Q. Anderson	*Gary J. Lukassen*
Jacques Bougie	*David J. Paterson*
William E. Davis	*Paul C. Rivett*
Richard Garneau	*John A. Rolls*
Ruth R. Harkin	*Hon. Togo D. West, Jr.*

For information concerning the selection of members of the Board of Reorganized ABH, see "*Reorganized ABH – Corporate Governance*".

Executive Officers

The executive officers of ABH and each officer's position within ABH are as follows:

Name	*Position*
David J. Paterson	*President and Chief Executive Officer*
Alain Grandmont	*Executive Vice President, Human Resources and Supply Chain*
William G. Harvey	*Executive Vice President and Chief Financial Officer*
Pierre Rougeau	*Executive Vice President, Operations and Sales*
Yves Laflamme	*Senior Vice President, Wood Products*
Jacques P. Vachon	*Senior Vice President, Corporate Affairs and Chief Legal Officer*

F. Leases

ABH leases approximately 40,000 acres of timberlands under long-term leases and certain office premises, office equipment and transportation equipment under operating leases.

ABH has conducted a review of certain of its executory contracts in order to determine which contracts, if any, would be assumed in the CCAA Proceedings and which contracts would be rejected or repudiated by it. As such, ABH has rejected and repudiated a number of leases, including leases of real estate and equipment, and has assumed or assigned certain others.

G. Environmental Matters

ABH believes that its operations are in material compliance with all applicable federal, state, provincial and local environmental regulations and that the currently required control equipment is in operation. While it is impossible to predict future environmental regulations that may be established, ABH believes that it will not be at a competitive disadvantage with regard to meeting future Canadian, United States or South Korean standards.

IV. CAPITALIZATION OF ABH AND THE APPLICANTS

A. Share Capital

ABH is a public company whose common stock was trading on the NYSE and TSX under the symbol ABH prior to the CCAA Proceedings. ABH common stock is now trading on the Pink Sheets under the symbol "ABWTQ".

B. Cancellation of ABH Existing Shares

Pursuant to the U.S. Plan, all of the existing share capital of ABH is to be cancelled for no consideration.

C. Exchangeable Shares

Pursuant to the CCAA Plan, all of the Exchangeable Shares are to be cancelled for no consideration.

D. Indebtedness

As of March 31, 2010, the Company's overall principal debt obligations, including secured bank debt, secured and unsecured notes (public issues and private placements), industrial revenue bonds and a securitization program (but excluding other off-balance sheet monetizations and capital lease obligations) totaled approximately $7 billion. As discussed in further detail, some of the Applicants are guarantors of, and/or have pledged assets in favor of, debt incurred by the U.S. Debtors.

Canadian Unsecured Notes

The table below summarizes, as of the Date of Filing, the material terms of the Applicants' significant unsecured debt obligations, the Canadian Unsecured Notes.

Original Issuer	Guarantor / Additional Obligor	Coupon	Maturity	Total Amount Outstanding as of the Date of Filing
ACF LP	ACI and ACCC	7.875%	8/1/2009	$ 7,972,373
ACCC	15% Senior Unsecured Notes Guarantors	15.5%	7/15/2010	$304,573,827
ACI	ACCC	8.55%	8/1/2010	$402,129,750
ACCC	ACI	7.75%	6/15/2011	$205,252,778
ACCC	ACI	Floating Rate	6/15/2011	$203,605,014
ACCC	ACI	6.00%	6/20/2013	$356,825,000
ACCC	ACI	8.375%	4/1/2015	$470,518,750
ACI	ACCC	7.40%	4/1/2018	$104,028,889
ACI	ACCC	7.50%	4/1/2028	$260,208,333
ACI	ACCC	8.50%	8/1/2029	$254,486,111
ACI	ACCC	8.85%	8/1/2030	$458,407,500

Canadian Secured Notes

On April 1, 2008, ACCC issued the Canadian Secured Notes in an aggregate principal amount of $413 million. The Canadian Secured Notes mature on April 1, 2011 and are guaranteed by the Canadian Secured Notes Guarantors. The Canadian Secured Notes are secured by Liens on certain pulp and paper mills owned by ACCC and the Canadian Secured Notes Guarantors, Liens on substantially all of the equipment and intellectual property of ACCC and the Canadian Secured Notes Guarantors (other than Donohue and its Subsidiaries) and its 75% interest in each of ACH LP and Abitibi-Consolidated Hydro Inc. As of the Date of Filing, the principal amount outstanding under the Canadian Secured Notes was $448 million.

ACCC Term Loan Facility

On April 1, 2008, ACCC entered into the ACCC Term Loan Facility with the ACCC Term Lenders in an original principal amount of $400 million which matured on March 30, 2009. The ACCC Term Loan Facility was secured by a first Lien on substantially all of ACI's and ACCC's assets other than those that secured the Canadian Secured Notes and capital stock of Subsidiaries (other than the capital stock of Donohue and its Subsidiaries, which were pledged to the ACCC Term Lenders). As of the Date of Filing, the principal amount outstanding under the ACCC Term Loan Facility was approximately $352 million.

Abitibi Securitization Program

ACI and ACSC (the "**Participants**") participate in an accounts receivable securitization program that was established when Donohue was a Subsidiary of ACI (the "**Securitization Program**"). Accordingly, the Participants share among themselves the proceeds received under the Securitization Program. The Participants sell most of their trade receivables to ACUSFC in order to reduce working capital requirements. ACUSFC, a bankruptcy-remote, special purpose, indirect consolidated subsidiary of Donohue, transfers undivided percentage ownership interests in the pool of receivables to the agent for the financial institutions party to the Securitization Program.

As of March 31, 2010, amounts outstanding under the Securitization Program were as follows:

	Commitment	Amount Outstanding as of March 31, 2010	Termination Date	Weighted Average Interest Rate
Accounts Receivable Securitization Program (unaudited)	$180,000,000	$119,705,544	June 10, 2011	10.5%

The Participants act as servicing agents and administer the collection of the accounts receivable sold pursuant to these agreements. The fees received for servicing the accounts receivable approximate the value of services rendered. The amount that can be obtained under the accounts receivable securitization program depends on the amount and nature of the accounts receivable available to be sold. Based on the level and eligibility of pool receivables as of March 31, 2010, the Participants could have borrowed an additional $9 million. The commitment fee for the unused portion is 0.75% per annum.

On June 16, 2009, ACI and certain of its affiliates amended and restated, in its entirety, the existing Securitization Facility with Citibank, N.A. as the administrative agent and Barclays Capital as the syndication agent, which now provides for a second amended and restated Securitization Facility, as amended as of June 11, 2010 and authorized by the Court on June 11, 2010 in an amount of up to $180 million to be provided by the financial institutions party to the Securitization Facility. Unless terminated earlier due to the occurrence of certain events of termination, or the substantial consummation of a plan or plans of reorganization or a plan of compromise or arrangement confirmed by order of the Court or the Bankruptcy Court, the Securitization Facility will terminate on June 10, 2011. All payment obligations of ACUSFC, a Subsidiary of Donohue, under the facility are secured by all of its assets and guaranteed by the following Subsidiaries of ABH: Donohue, ACSC, Abitibi-Consolidated Corp., Augusta Woodlands, LLC, Abitibi-Consolidated Alabama Corporation and Alabama River Newsprint Company (the "**Securitization Program Guarantors**").

ACH Limited Partnership Credit Agreement

On March 31, 2007, ACH LP entered into the ACH Credit Agreement with the Caisse de dépôt et placement du Québec in an amount of up to Cdn$250 million and entered into a Cdn$15 million revolving credit facility with a Canadian financial institution. The ACH Credit Agreement matures on March 30, 2017 and is guaranteed by all the Subsidiaries of ACH LP. As of March 31, 2010, the amount outstanding under the ACH Credit Agreement is Cdn$254.4 million. ACH also had one letter of credit issued with the revolving credit facility for Cdn$1 million. ACH is not an Applicant and its debts are not being compromised.

Investissement Québec Financing

On October 9, 2003, ACCC entered into an agreement with Investissement Québec providing for an unsecured loan from Investissement Québec to ACCC in an amount up to Cdn$14 million in connection with the realization of a project at ACCC's Alma paper mills (the "**IQ Financing**"). The IQ Financing matures in 2011. As of the Date of Filing, the principal amount outstanding under the IQ Financing was Cdn$14 million.

Bowater Notes and Debentures

The table below summarizes, as of the Date of Filing, the material terms of Bowater's and its Subsidiaries' significant unsecured debt obligations.

Issuer	Guarantor / Additional Obligor	Coupon	Maturity	Total Outstanding Amount as of the Date of Filing
Bowater	—	9.00%	8/1/2009	$252,743,725
Bowater	—	Floating Rate	3/15/2010	$235,348,303
BCFC	Bowater	7.95%	11/15/2011	$620,007,500
Bowater	—	9.50%	10/15/2012	$130,970,486
Bowater	—	6.50%	6/15/2013	$408,738,889
Bowater	—	9.375%	12/15/2021	$206,302,083
BCFPI	—	10.26%	1/15/2011	$ 4,515,368
BCFPI	—	10.50%	6/15/2010	$ 21,125,900
BCFPI	—	10.60%	1/15/2011	$ 71,896,222
BCFPI	—	10.625%	6/15/2010	$ 2,823,119
BCFPI	—	10.85%	11/30/2014	$107,163,910
Newsprint South	—	6.50%	2/1/2010	$ 4,656,250
York County, South Carolina	Bowater	7.40%	1/1/2010	$ 3,320,146
The Industrial Development Board of the County of McMinn	Bowater	7.40%	12/1/2022	$ 40,596,125
The Industrial Development Board of the County of McMinn	Bowater	7.625%	3/1/2016	$ 30,285,938
Finance Authority of Maine	Bowater	7.75%	8/1/2022	$ 62,200,208
The Industrial Development Board of the County of McMinn	Bowater	Floating Rate	6/1/2029	$ 33,500,000

ABH Convertible Notes

In March 2008, ABH entered into a definitive agreement with Fairfax for an investment by Fairfax and its designated Subsidiaries in ABH of $350 million in the form of unregistered convertible debentures due 2013 (the "**Convertible Notes**").

ABH completed a series of refinancing transactions, which were designed to address the debt maturities and general liquidity needs during the first half of 2008, principally to refinance certain Abitibi-side indebtedness. The Convertible Notes bear interest at the rate of 8.00% per annum and are convertible into ABH Existing Shares at an estimated conversion price of $10.00 per share. The Convertible Notes are guaranteed by Bowater, and not by ACI or any of its respective Subsidiaries. Bowater's full and unconditional guarantee of the Convertible Notes is a senior unsecured obligation of Bowater. The Convertible Notes permit ABH to make ABH PIK Payments. In accordance with this provision, in October 2008, ABH made an ABH PIK Payment with respect to the required October interest payment required on the Convertible Notes. As of the U.S. Petition Date, the total outstanding amount with accrued interest under the Convertible Notes was approximately $387.3 million.

BCFPI Secured Credit Agreement

BCFPI is party to a credit agreement dated May 31, 2006 among BCFPI, as borrower, the U.S. Bowater Borrowers, as borrowers, and certain direct and indirect subsidiaries of ABH, as guarantors, the lenders from time to time party thereto (the "**BCFPI Pre-petition Secured Lenders**" and together with the Bowater Pre-petition Secured Lenders, the "**Bowater Group Pre-petition Secured Lenders**"), and the BCFPI Secured Bank Agent (as amended from time to time and together with all collateral, security and other ancillary documents, the "**BCFPI Secured Credit Agreement**"). As of the U.S. Petition Date, the total outstanding amount with accrued interest was approximately $128 million.

Collateral securing the BCFPI Secured Credit Agreement includes: (i) the inventory, accounts receivable, deposit accounts, and certain other current assets of BCFPI and its subsidiaries that are guarantors; (ii) the real property, equipment and fixtures relating to the Coosa Pines, Alabama and Grenada, Mississippi paper mills; (iii) the real property, equipment and fixtures of BCFPI located in Gatineau, Québec, Dolbeau, Québec and Thunder Bay, Ontario; and (iv) the equity interest of Bowater's South Korean subsidiary (which owns Bowater's Mokpo mill).

Inter-company Debt

In the normal operations of the Company's businesses, the Applicants and certain of their non-Applicant affiliates engage in various inter-company transactions. Certain receivables and payables among the Applicants and/or the Applicants and non-Applicant Subsidiaries of the Company are evidenced by inter-company notes (the "**Inter-company Note Claims**"). In addition to inter-company Note Claims, the Applicants and/or the Applicants and non-Applicant Subsidiaries of the Company engaged in Inter-company trading transactions which give rise to Claims between Applicants and/or Applicants and non-Applicants Subsidiaries. As a result, on any given date, there are numerous inter-company Claims that reflect inter-company receivables and payables made and/or accrued in the ordinary course between and among the Applicants and between and among the U.S. Debtors and certain of their non-Applicant affiliates.

V. THE CCAA PLAN

A. Events Leading to the CCAA Proceedings

The Company's inability to repay or refinance significant indebtedness with impending maturities was a critical factor that necessitated the commencement of CCAA Proceedings. Notably, certain November 2008 amendments to Bowater's existing secured facilities restricted its liquidity by significantly reducing available funds. Coupled with the lack of liquidity in the markets generally, the Company's indebtedness rendered it vulnerable to adverse economic and industry conditions, impaired its ability to obtain additional financing, required it to dedicate a substantial portion of cash flow from operations to service debt, and otherwise limited its flexibility in planning and responding to business drivers.

As a result of the above factors, by the beginning of 2009, the Company's liquidity positions were severely constrained. To address the Company's tightening liquidity, on February 9, 2009, the Company announced the commencement of private offers to exchange certain outstanding series of unsecured notes issued by Bowater and one of its wholly-owned Subsidiaries for new secured notes to be issued by an indirect Subsidiary of the Company, as well as a concurrent debt offering. Shortly thereafter, on March 13, 2009, the Company commenced a debt recapitalization plan for certain of the ACI Group's Canadian companies pursuant to the CBCA. At the same time, the Company announced that ACCC and an unaffiliated third party had signed a letter of intent in connection with the sale of ACCC's 60% interest in MPCo for gross proceeds of Cdn$615 million.

The Company was unable to successfully complete the Bowater exchange offer. As a result, the ACI Group's recapitalization, which was contingent on a successful Bowater exchange offer, could not be consummated. On April 17, 2009, the Company had no other option but to commence the CCAA Proceedings before the Court and two of the Applicants, ACI and ACCC, filed petitions for recognition under Chapter 15 of the Bankruptcy Code. The Company also sought relief in the Bankruptcy Court under Chapter 11 of the Bankruptcy Code on April 16, 2009 and the 18.6 Petitioners filed for ancillary relief in support of the Chapter 11 Cases under section 18.6 of the CCAA. The Court appointed Ernst & Young, Inc. to serve as monitor for the CCAA Proceedings. On February 2, 2010, Bridgewater filed for administration in the United-Kingdom pursuant to the United-Kingdom Insolvency Act, 1986, as amended. Bowater Korea Ltd. and almost all of the Company's less than wholly-owned Subsidiaries continue to operate outside of the Insolvency Proceedings.

B. Events Subsequent to the CCAA Proceedings

CCAA Filing

Since the Date of Filing, the Applicants have continued to operate subject to the supervision of the Court in accordance with the CCAA. An immediate effect of the filing of the Applicants' CCAA Proceedings was the imposition of the Stay of Proceedings which, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, the enforcement of Liens against property of the Applicants and the Partnerships and the continuation of litigation against the Applicants and the Partnerships.

The Initial Order granted by the Court on April 17, 2009 provided for a Stay of Proceedings for an initial period of 30 days. The Stay of Proceedings was extended pursuant to Orders of the Court on May 14, 2009, September 4, 2009 and on December 11, 2009. On March 10, 2010, the Stay of Proceedings was extended until June 18, 2010. On June 9, 2010, the Stay of Proceedings was extended until July 9, 2010. On July 9, 2010, the Court extended the Stay of Proceedings until September 8, 2010.

DIP Credit Facilities

(a) Abitibi DIP Facility

To provide the Applicants with liquidity and capital resources, the Applicants sought and obtained approval by the Court to enter into a debtor-in-possession financing facility for the benefit of ACI and Donohue. On May 6, 2009, the Applicants entered into a letter loan agreement (the "**Abitibi DIP Agreement**"), among ACI and Donohue, as borrowers (the "**Abitibi DIP Facility Borrowers**"), certain Subsidiaries of ACI, as guarantors, and Bank of Montreal, as lender, which was acknowledged by Investissement Québec, as sponsor (the "**Sponsor**"). Although Donohue was a signatory thereto, the Abitibi DIP Agreement was not enforceable against Donohue, and Donohue could not borrow thereunder, until such time as the Bankruptcy Court had granted an order authorizing and approving the Abitibi DIP Facility (as defined below) and the charge in connection therewith with respect to Donohue (the "**U.S. DIP Order**"). Donohue had no obligation to seek, nor did it seek, a U.S. DIP Order.

The Abitibi DIP Agreement provided for borrowings in an aggregate principal amount of up to $100 million for ACI and, following any U.S. DIP Order, Donohue (the "**Abitibi DIP Facility**"), provided that Donohue would not borrow more than $10 million in the aggregate and that a minimum availability of $12.5 million would be maintained at all times. The Abitibi DIP Facility was available by way of loans advanced in multiple disbursements pursuant to borrowing requests. The outstanding principal amount of loans under the Abitibi DIP Facility, plus accrued and unpaid interest, were to be repaid in full at the earliest of: (i) April 30, 2010; (ii) the effective date of a plan of reorganization or a plan of restructuring and compromise confirmed by order of the Courts; (iii) the acceleration of the Abitibi DIP Agreement or the occurrence of a specified event of default within the meaning set forth in the Abitibi DIP Agreement; and (iv) the unenforceability of the backstop guarantee of the Sponsor. Notwithstanding the foregoing, the Abitibi DIP Facility Borrowers were required to repay the Abitibi DIP Facility no later than December 15, 2009 (as extended), as not doing so would have resulted in the occurrence of a specified event of default. In addition, the Abitibi DIP Facility Borrowers were required to make mandatory prepayments of any loans outstanding from the net Cash proceeds of, among other things, any payment by a governmental authority in respect of any expropriation claim and the sale of the Applicants' 60% interest in MPCo.

ACI repaid in full and terminated the Abitibi DIP Facility on December 9, 2009 with a portion of the closing proceeds from the sale of its 60% interest in MPCo to a wholly-owned subsidiary of Hydro-Québec for gross proceeds of Cdn$615 million (the "**MPCo Sale**").

(b) ULC DIP Facility

On November 16, 2009, ACI obtained the Court's approval to enter into a loan agreement among ACI, as borrower, and 3239432 Nova Scotia Company, a wholly-owned unlimited liability company and a subsidiary of ABH (the "**ULC**"), as lender (the "**ULC DIP Agreement**"), for an aggregate principal amount outstanding at any time not exceeding Cdn$230 million. The credit facility pursuant to the ULC DIP Agreement (the "**ULC DIP Facility**") is subject to the following draw conditions: (i) a first draw of Cdn$130 million which was advanced at closing of the ULC DIP Facility; (ii) subsequent draws for a maximum total amount of Cdn$50 million in increments of up to Cdn$25 million to be advanced upon a five Business Day notice; and (iii) the balance of Cdn$50 million to become available upon further Order of the Court. The security granted pursuant to the ULC DIP Facility is similar to the one granted pursuant to the Abitibi DIP Facility. No interest and no fees are payable under the ULC DIP Facility.

The ULC DIP Facility can be used for general corporate purposes in material compliance with the 13-week cash flow forecasts to be provided no less frequently than on a monthly basis (the "**Budget**"). Events of default pursuant to the ULC DIP Facility are as follows: (i) substantial non-compliance with the Budget; (ii) termination of the Stay of Proceedings; (iii) failure to file a plan or restructuring and compromise with the Court by September 30, 2010; and (iv) withdrawal of the existing Securitization Program unless replaced with a reasonably similar facility.

(c) Bowater DIP Credit Agreement

To provide the U.S. Debtors with the Cash and liquidity necessary to continue their operations and to maintain normal post-petition vendor and customer relations, on the U.S. Petition Date the U.S. Debtors sought the Bankruptcy Court's approval of a $206 million senior secured superpriority debtor-in-possession term loan credit facility among ABH, Bowater and BCFPI, as borrowers, Fairfax, as administrative agent, collateral agent and initial lender, and the lenders from time to time party thereto (the "**Bowater DIP Credit Agreement**"). On May 8, 2009, Law Debenture Trust Company of New York replaced Fairfax as the administrative agent and the collateral agent under the Bowater DIP Credit Agreement. Proceeds of the Bowater DIP Credit Agreement have been used to fund the U.S. Debtors' working capital requirements during the Chapter 11 Cases.

The Bowater DIP Credit Agreement includes a $166 million term loan for borrowings by ABH and Bowater (the "**U.S. Bowater DIP**") and a $40 million term loan for borrowings by BCFPI (the "**Canadian Bowater DIP**"). The U.S. Bowater DIP is guaranteed by substantially all of the U.S. entities that are part of the Bowater Group (together with ABH, the "**U.S. Bowater DIP Parties**") and is secured by (i) first priority Liens on all of the U.S. Bowater DIP Parties' unencumbered assets as of the U.S. Petition Date, (ii) first priority Liens on post-petition inter-company debt payable to the U.S. Bowater DIP Parties, and (iii) junior Liens on the encumbered assets of the U.S. Bowater DIP Parties as of the U.S. Petition Date (collectively, the "**U.S. Bowater DIP Collateral**"). The Canadian Bowater DIP is guaranteed by substantially all of the Canadian entities in the Bowater Group (together with BCFPI, the "**Canadian Bowater DIP Parties**"), and is secured by (i) first priority Liens on all of the Canadian Bowater DIP Parties' unencumbered assets as of the U.S. Petition Date, (ii) first priority Liens on post-petition inter-company debt payable to the Canadian Bowater DIP Parties, (iii) junior Liens on the encumbered assets of the Canadian Bowater DIP Parties as of the U.S. Petition Date, and (iv) Liens (shared *pari passu*) on all assets securing the U.S. Bowater DIP (collectively, the "**Canadian Bowater DIP Collateral**"). BCFC was released from its obligations under the Bowater DIP Credit Agreement on June 24, 2009.

On April 17, 2009, the Bankruptcy Court authorized the U.S. Debtors to enter into the Bowater DIP Credit Agreement on an interim basis (the "**Interim Bowater DIP Order**") and on June 16, 2009, the Bankruptcy Court entered a final order (as amended, the "**Final Bowater DIP Order**", together with the Interim Bowater DIP Order, the "**U.S. Bowater DIP Orders**") approving the Bowater DIP Credit Agreement.

The Court issued an Order authorizing the Canadian Bowater DIP Parties to enter into the Bowater DIP Credit Agreement on April 17, 2009 as well as Orders recognizing U.S. Bowater DIP Orders of the Bankruptcy Court on April 22 and June 19, 2009, respectively.

The Final Bowater DIP Order grants the Bowater Group Pre-petition Secured Lenders certain additional Liens as adequate protection to the extent of any diminution in value of their collateral during the pendency of the Chapter 11 Cases. Specifically, the Bowater Group Pre-petition Secured Lenders were granted, as adequate protection: (i) valid, binding and enforceable replacement security interests in and Liens upon the U.S. Bowater DIP Collateral; (ii) a super-priority claim pursuant to section 507(b) of the Bankruptcy Code against the U.S. Bowater DIP Parties; and (iii) current payment of non-default rate interest and certain fees and expenses for the Bowater Secured Bank Agent. The BCFPI Pre-petition Secured Lenders were granted, as adequate protection: (i) valid, binding and enforceable replacement security interests in and Liens upon the Canadian Bowater DIP Collateral and the U.S. Bowater DIP Collateral; (ii) a super-priority claim pursuant to section 507(b) of the Bankruptcy Code against the Canadian Bowater DIP Parties; and (iii) current payment of non-default rate interest and certain fees and expenses for the BCFPI Secured Bank Agent.

The Bowater DIP Credit Agreement contains customary covenants for debtor-in possession financings of this type, including, among other things: (i) requirements to deliver financial statements, other reports and notices; (ii) restrictions on the incurrence and repayment of indebtedness; (iii) restrictions on the incurrence of Liens; (iv) restrictions on making certain payments; (v) restrictions on investments; (vi) restrictions on asset dispositions; and (vii) restrictions on modifications to material indebtedness. Additionally, the Bowater DIP Credit Agreement contains certain financial covenants, including, among other things: (i) a minimum consolidated EBITDA; (ii) a minimum fixed charge coverage ratio; and (iii) a maximum amount of capital expenditures.

Should either the CCAA Proceedings or the Chapter 11 Cases be dismissed, or any order entered granting relief from the stays provided thereunder, an event of default under the Bowater DIP Credit Agreement would occur and the outstanding debt would become due and payable immediately, which would, in all likelihood, lead to the liquidation of all of the Applicants' assets.

The U.S. Debtors applied for and on July 14, 2010, the Bankruptcy Court issued an Order authorizing an amendment to the Bowater DIP Credit Agreement pursuant to which the aggregate principal amount outstanding thereunder has been reduced from $206 million to $40 million (the "**Bowater DIP Amendment**"). The U.S. Debtors will realize approximately $4 million in savings as a result of interest rate reductions and by consummating this significant paydown of amounts outstanding under the Bowater DIP Credit Agreement. Additionally, the Bowater DIP Amendment provides for a number of other amendments, including an extension of the maturity date from October 21, 2010 (upon satisfying certain conditions for a three-month extension) to the earlier of (i) December 31, 2010, (ii) the effective date of the Debtors' plan of reorganization and (iii) the acceleration of the loans and termination of the commitments. The borrowers under the Bowater DIP Credit Agreement will pay an amendment fee in connection with the Bowater DIP Amendment equal to 0.5% of the aggregate principal amount outstanding on the date of such amendment, or $1.03 million. The Bowater DIP Amendment was approved in the CCAA Proceedings by the Court on July 21, 2010.

(d) Amended and Restated Securitization Program

On June 16, 2009, ACI and certain of its affiliates amended and restated, in its entirety, the Securitization Facility. On June 9, 2010 the Courts authorized certain amendments to the Securitization Facility. See "*Capitalization of ABH and the Applicants – Indebtedness – Abitibi Securitization Program*".

Appointment of the Official Committee of Unsecured Creditors

The Bankruptcy Code provides for the appointment of an unsecured creditors' committee comprised of the seven largest unsecured claimants excluding insiders and government units. On April 28, 2009, the United States Trustee for the District of Delaware appointed the Unsecured Creditors Committee.

Ad Hoc Unsecured Noteholders Committee

There is no requirement to appoint an unsecured creditors' committee under the CCAA. However, an informal committee of certain Holders of Canadian Unsecured Notes Claims (the "**Ad Hoc Unsecured Noteholders Committee**") was formed and is acting in connection with the CCAA Proceedings.

Sale of Manicouagan Power Company

On November 17, 2009, the Court approved the MPCo Sale. On December 9, 2009, ACCC announced that it had successfully completed the MPCo Sale. The proceeds have been used in the manner approved by the Court, including:

- $267 million was set aside temporarily in the ULC, to secure certain indemnities and undertakings provided to Alcoa under the MPCo Sale, and the ULC entered into a guarantee agreement with Alcoa for this purpose. Of the $267 million set aside in the ULC, $218 million was used by the ULC to fund the ULC DIP Facility;
- $55 million was used to repay all amounts outstanding under the Abitibi DIP Agreement, $26 million of which was paid from the proceeds of the ULC DIP Facility;
- $113 million was used as a partial repayment of the Canadian Secured Notes, $72 million was used to pay accrued interest on such notes and $5 million was used to cover fees related to the partial repayment of such notes;
- approximately $67 million was used to pay Alcoa in respect of Taxes that it incurred as a result of the MPCo Sale, as well as ACCC's estimated transaction costs, pre-petition amounts owed to the distribution division of Hydro-Québec by ACCC and its affiliates, including amounts owed by BCFPI, and pre-petition amounts owed to MPCo and Alcoa for electricity purchased by ACCC from MPCo and to make certain other adjustments contemplated by the MPCo Sale; and
- approximately $29 million is subject to a two-year holdback by HQ Manicouagan Inc. (and guaranteed by Hydro-Québec).

The effect of the MPCo Sale was to provide ACI with additional net liquidity of approximately $159 million, after the extinguishment of the remaining availability of approximately $34 million under the Abitibi DIP Agreement. In connection with the foregoing, ABH also entered into a power supply agreement with Hydro-Québec's distribution division for the supply of electricity to ABH's Baie-Comeau paper mill.

AbitibiBowater U.S. Holding LLC Note Repayment Transactions

On November 17, 2009, the Applicants filed a motion seeking authority to undertake certain transactions (the "**Repayment Steps**") to repay an inter-company note outstanding between AbitibiBowater Holding and ACCC (the "**ABH LLC Note**"). The Repayment Steps addressed a potential $55.25 million withholding tax liability that may have arisen if the ABH LLC Note was not repaid prior to December 31, 2009. As part of the Repayment Steps, a new inter-company note, identical in all material respects to the ABH LLC Note, was issued by AbitibiBowater Holding to ABH LLC 1, a newly-formed indirect Subsidiary of ABH, thereby preserving the Applicants' prepetition capital structure and the rights and remedies of all of the Applicants' creditor constituents. The Court and the Bankruptcy Court entered Orders approving the Repayment Steps on December 1, 2009 and November 24, 2009, respectively. As part of the Repayment Steps, three newly-formed limited liability companies filed petitions for relief under Chapter 11 of the Bankruptcy Code with the Bankruptcy Court on December 21, 2009. The Bankruptcy Court entered an order authorizing the joint administration of the cases of AbitibiBowater Holding and ABH LLC 1 with the U.S. Debtors pending Chapter 11 Cases on January 15, 2010, and an order authorizing the dismissal of ABH LLC 2's bankruptcy case on February 18, 2010.

Other Sale of Assets and Cost Savings Initiatives

(a) Sales of Assets

Since the Date of Filing, the Applicants have successfully completed a number of sales of assets including the following:

- On November 24, 2009, the Court approved the sale of certain assets of the Belgo Pulp and Paper Mill, including the real estate on which the plant is located and the related equipment to Recyclage Arctic Beluga inc. On January 28, 2010, the sale was successfully completed. In addition to the creation of jobs through the partial re-use of the plant, the sale reduced the operating costs of the Applicants by approximately $2.7 million on an annual basis.
- On December 11, 2009, the Court approved the sale of certain assets between ACCC and 9213-3933 Québec Inc. as well as the sale of certain lands between ACI and Gestion Dion & Frère Inc. On March 18, 2010, the sale was successfully completed.
- On March 23, 2010, the Court approved the sale of certain assets of the Mackenzie paper mill to 0869550 Ltd. On June 3, 2010, the sale was successfully completed.
- In addition, the Applicants have sold in 2009 over 490,000 acres of private timberland primarily located in Québec, Canada, for an aggregate of approximately $91 million in cash.

(b) Sale of Non-core Properties

On April 27, 2010, the Court issued an order allowing ACCC and ACI to sell, on an as-is, where-is basis, the site of a former shipping terminal situated in Botwood, Newfoundland, Canada and the site of a newsprint mill situated in Stephenville, Newfoundland, Canada (collectively, the "**Non-core Properties**") to the Non-core Purchaser. The purchase price for the Non-core Properties was satisfied by the issuance of a non-interest bearing promissory note in the amount of Cdn$1,000 together with any Principal Increase. On April 27, 2010, the Court also issued an order appointing Ernst & Young Inc. as receiver for the Non-core Properties under the BIA and authorizing the receiver to, among other things, manage the environmental issues in connection with the Non-core Properties and market and sell the Non-core Properties. The receiver will not be taking possession of the Non-core Properties unless and until appropriate arrangements, which are satisfactory to the receiver have been reached with the relevant environmental authorities. ACI and ACCC have agreed to provide the receiver with financing up to a maximum amount of Cdn$600,000 in order to cover (i) estimated fees and disbursements of the receiver for an initial period of 12 months, and (ii) reasonable costs of conservation, environmental studies and any urgent, currently unforeseen, remediation work required to stabilize the Non-core Properties while negotiations are undertaken with appropriate authorities for the long-term remediation and disposal of these properties.

On July 21, 2010, the Court issued a re-amended receiver order appointing Samson Bélair / Deloitte & Touche Inc., to replace Ernst & Young Inc., as receiver for the Non-core Properties. An amended second motion (the "**Amended Non-core Properties Motion**") will be filed by ABH and certain of its Subsidiaries and is scheduled to be heard by the Court on September 1, 2010. The Amended Non-core Properties Motion will seek to transfer to the Non-core Purchaser additional properties located in Ontario, Québec, British Columbia and New Brunswick that are either closed and/or partially dismantled sawmills, vacant lots and/or former and current wood residues landfill sites where neither ABH nor any of its Subsidiaries had any material active operations for many years.

(c) Repudiation of Contracts

Since the Date of Filing, the Applicants have repudiated 201 contracts, with aggregate savings for 2010 of approximately Cdn$69.14 million.

(d) Bundled Mills Sale

On April 26, 2010, the Court heard the Applicants' Motion for the sale of the mills located in Beaupré (Québec), Donnacona (Québec), Dalhousie (New Brunswick) and Fort-William (Ontario), as a bundled asset sale for salvage to a Canadian purchaser. On May 3, 2010 and May 17, 2010, respectively, the Court and the Bankruptcy Court issued orders confirming such sale. The sale of the mills located in Beaupré and Donnacona (Québec) and Dalhousie (New Brunswick) was completed on June 7, 2010. The sale of the mill located in Fort William (Ontario) was completed on June 30, 2010.

In May 2010, ABH announced the indefinite idling of its Gatineau, Québec facility effective immediately.

Other Cost Savings Initiatives

ABH announced in the third quarter of 2009 that it would continue to work on selling, general and administrative (**"SG&A"**) austerity measures with a target reduction of approximately $100 million on an annualized basis, as compared to 2008. The SG&A reduction efforts included, among other items, a 25% corporate headcount reduction. ABH expects to have some further declines in employment as it develops and implements its plan or plans of reorganization and responds to the need to further reduce capacity in some product lines.

Adversary Proceedings

(a) Augusta Proceedings

On June 15, 2009, the Company filed a motion with the Bankruptcy Court to reject an amended and restated call agreement (the **"Call Agreement"**) in respect of ANI, an indirect subsidiary of Woodbridge and the Company's partner in ANC. ANC is the partnership that owns and operates the Augusta newsprint mill. The Call Agreement obligated ACSC to either buy out ANI at a price well above market, or risk losing all of its equity in the joint venture pursuant to forced sale provisions. The Bankruptcy Court granted the Company's motion on October 27, 2009 and approved its rejection of the Call Agreement. The Company's counterparties to the Call Agreement filed a notice of appeal with the Bankruptcy Court on November 3, 2009.

Also, on March 9, 2010, Woodbridge filed a motion in the Bankruptcy Court to force ACSC to reject the partnership agreement governing the ANC. If ACSC were forced to reject the partnership agreement, the future of the Augusta mill would be uncertain. The U.S. Debtors filed an objection to the motion on April 9, 2010. The matter was heard on May 26, 2010 but the hearing was not dispositive. The motion is now pending before the Bankruptcy Court.

(b) NAFTA Proceedings

On December 16, 2008, following ABH's December 4, 2008 announcement of the permanent closure of its Grand Falls newsprint mill, the Government of Newfoundland and Labrador passed legislation under Bill 75 to expropriate, among other things, all of ABH's timber rights, water rights, leases and hydroelectric assets in Newfoundland and Labrador, whether partially or wholly owned through its Subsidiaries and affiliated entities. Newfoundland and Labrador also announced that it does not plan to compensate ABH for the loss of the water and timber rights, but has indicated that it may compensate ABH for certain of its hydroelectric assets. However, it has made no commitment to ensure that such compensation would represent the fair market value of such assets.

On February 25, 2010, ABH filed a Notice of Arbitration against the Government of Canada under NAFTA, which asserts that Newfoundland and Labrador's expropriation was arbitrary, discriminatory and illegal. ABH's claim seeks direct compensation for damages of approximately Cdn$500 million, plus additional costs and relief. Although ABH believes that the Government of Canada will be required to compensate it for the fair market value of the expropriated assets, there can be no assurance that it will. ABH continues to reach out to the Government of Canada in an effort to come to a settlement and avoid protracted NAFTA Proceedings.

(c) Newfoundland EPA Proceedings

On March 31, 2010, the Court dismissed a motion for declaratory judgment brought by Newfoundland and Labrador and thus confirmed ABH's position that five injunctive orders issued by Newfoundland and Labrador under section 99 of the EPA on November 12, 2009 are subject to the Stay of Proceedings pursuant to the Creditor Protection Proceedings. Newfoundland and Labrador's orders could have required ABH to proceed immediately with the environmental remediation of various sites it formerly owned or operated, some of which Newfoundland and Labrador expropriated in December 2008 with Bill 75. The Court also dismissed, without costs, the Province of British Columbia's intervention in those proceedings. If Newfoundland and Labrador requests an extension of the applicable court-imposed deadline by which its claim had to be filed in order to receive any distribution in the CCAA Proceedings, a request ABH can contest, and if the Court grants the request, Newfoundland and Labrador's claim based on the environmental orders would be subject to the existing claims process and would be subject to compromise. Newfoundland and Labrador sought leave to appeal the Court's judgment to the Quebec Court of Appeal, an application which was dismissed with costs on May 18, 2010.

(d) Bowater Canada Finance Corporation U.S. Proceedings

BCFC, an unlimited liability company under Nova Scotia Law, issued the 7.95% Notes in the aggregate principal amount of $600 million (the "**BCFC Noteholders**"). In addition, Bowater guaranteed the 7.95% Notes (the "**7.95% Notes Guaranty**"). Wilmington Trust Company is the successor indenture trustee for the 7.95% Notes. BCFC is a financing vehicle with no material operations.

The BCFC Noteholders contend that they have a direct Claim against Bowater under the 7.95% Notes Guaranty. Second, the BCFC Noteholders have a direct Claim against BCFC as issuer of the 7.95% Notes. Third, some creditors of BCFC contend that in the event of a winding up of BCFC, BCFC may have a claim (the "**Wind Up Claim**") against Bowater pursuant to section 135 of the *Companies Act* (Nova Scotia). Section 135 of the *Companies Act* (Nova Scotia) provides, in part, that "[i]n the event of a company being wound up, every present and past member shall be liable to contribute to the assets of the company an amount sufficient for payment of its debts and liabilities and the costs, charges, and expenses of the winding up". In addition to the Wind Up Claim, these creditors believe that BCFC may have other potential claims in connection with the use of proceeds from the issuance of the 7.95% Notes (the "**BCFC Claims**").

To address any potential conflicts with respect to the resolution of the Wind Up Claim and BCFC Claims, BCFC and Bowater obtained Orders from the Bankruptcy Court authorizing (a) the retention and employment of Togut, Segal & Segal LLP as conflicts counsel to BCFC, (b) the appointment of Lisa Donahue as BCFC's Vice President – Restructuring and (c) the retention of Jones Day LLP as conflicts counsel to Bowater. The retention of these professionals will facilitate a process whereby the Wind Up Claim and BCFC Claims will be investigated by wholly independent professionals and fiduciaries, thus ensuring the integrity of the U.S. Debtors' claims resolution process and facilitating an expeditious resolution to these intercompany issues.

(e) Bowater Canada Finance Corporation Canadian Proceedings

On April 16, 2010, two entities which claim to be beneficial owners of 7.95% Notes issued by BCFC, Aurelius Capital Management, LP and Contrarian Capital Management L.L.C. (collectively, the "**Motion Parties**"), filed a *Motion for the Issuance of an Order Directing Bowater Canada Finance Corporation to File an Assignment in Bankruptcy or Alternatively, an Order Seeking the Appointment of an Independent and*

Disinterested Third Party to Investigate, Assert, Protect and Pursue the Claims and Remedies of Bowater Canada Finance Corporation with the Court.

The Motion Parties adopted the position that the Monitor, the directors of BCFC and counsel for the Applicants were in a position of irreconcilable conflict of interest, the result of which is in their view that no one is in a position to advance the interests of BCFC in the CCAA Proceedings or in the Chapter 11 Cases.

In addition to requesting that the Monitor be discharged as Monitor of BCFC and seeking declaratory orders in respect of the above-described allegations of conflict of interest, the Motion Parties requested that the Court order the officers and directors of BCFC to file a voluntary assignment in bankruptcy under the BIA appointing a trustee to the estate of BCFC to be nominated by the Motion Parties, or alternatively, to authorize the Motion Parties to appoint an independent and disinterested third-party in respect of BCFC, at the Applicants' cost, to investigate and report on the assets and liabilities of BCFC, as well as intercompany transactions having taken place in the years preceding the date of filing under the CCAA.

The Motion Parties' motion was scheduled to be heard by the Court on July 9, 2010. Shortly before the hearing, the Motion Parties announced that in light of recent developments, they wished to discontinue their motion on a "without costs" basis.

On the day of the hearing, the Applicants opposed the Motion Parties' position on the issue of costs and that same day, the Court issued an Order agreeing to the Motion Parties' discontinuance without costs but also stipulating, however, that should the Motion Parties wish to bring the same or a similar motion between the date of the Order and the Sanction Hearing on the CCAA Plan, they would need to seek leave of the Court in order to lift the Stay of Proceedings.

In connection with the proceedings, the Monitor filed the 49th report of the Monitor on July 7, 2010 which summarizes on an interim basis BCFC's inter-company transactions for several years prior to the Date of Filing and the financial impact of these transactions on BCFC. The Monitor intends to update its report and will post such report on the Monitor Website.

Other Significant Actions

In addition to the Initial Order, the Claims Procedure Orders, the Creditors' Meeting Order and the other matters described in this section, the Applicants have sought and obtained certain orders from the Court that are of particular importance in the operation of the Applicants' business or in the administration of the CCAA Proceedings. All such orders are available on the Monitor's Website.

C. Claims and Voting Process

Claims Procedure Orders

On August 26, 2009, the First Claims Procedure Order was issued authorizing the Applicants to conduct a process for calling for and determining the Claims of its Creditors. Among other things, the First Claims Procedure Order established the date of November 13, 2009 as a bar date for the filing of Claims generally representing the majority of the Creditors.

On January 18, 2010, the Second Claims Procedure Order was issued authorizing, among other things, the Cross-border Claims Protocol and the process for determining and reviewing Claims, including a distinct procedure for the determination of grievances filed on behalf of the employees of the Applicants.

On February 23, 2010, the Third Claims Procedure Order was issued establishing the second bar date of April 7, 2010 for, among other things, Claims asserted by employees who were employed by ABH as of April 16, 2009 or thereafter and other claims that were previously excluded in the Claims Procedure Orders.

On July 21, 2010, the Fourth Claims Procedure Order was issued authorizing, among other things, certain Claims filed against the Applicants with the Monitor to be deemed to be timely filed with the Monitor for purposes of the Applicants Claims' process.

Cross-border Insolvency Protocol

The Cross-border Insolvency Protocol was approved on July 27, 2009 by the Bankruptcy Court and on July 28, 2009 by the Court. The purpose of the Cross-border Insolvency Protocol is to facilitate cross-border coordination between the Insolvency Proceedings and to effectuate an orderly and efficient administration of the Insolvency Proceedings while maintaining the respective independent jurisdiction of the Court and the Bankruptcy Court. The Cross-border Insolvency Protocol provides that the Court shall have sole and exclusive jurisdiction over the CCAA Proceedings and the Bankruptcy Court shall have sole and exclusive jurisdiction over the Chapter 11 Cases. The Court and the Bankruptcy Court may coordinate activities, communicate with one another and conduct joint hearings.

Cross-border Claims Protocol

The Cross-border Claims Protocol was approved on January 18, 2010 by the Court and on January 19, 2010 by the Bankruptcy Court. The Cross-border Claims Protocol implements certain supplementary procedures governing the review and reconciliation of proofs of claim filed against the Cross-border Debtors and provides that, in the absence of any objection and subject to the Unsecured Creditors Committee's right to review, the Monitor and the Applicants shall review all proofs of claim filed against the Cross-border Debtors and amend, allow or object to such claims in accordance with the Claims Procedure Orders. If a creditor objects to the determination of its claim under the Claims Procedure Orders, and if the creditor, the Applicants and the U.S. Debtors and the Monitor cannot agree on which court should hear the objection, then the Court shall determine which court shall determine the objection. Prior to such determination, the creditor, the Applicants and the U.S. Debtors or the Monitor may request a joint hearing, in accordance with the Cross-border Insolvency Protocol, to consider the matter. The Cross-border Claims Protocol also reserves certain review rights for the Unsecured Creditors Committee and the Ad Hoc Unsecured Noteholders Committee with respect to Claims filed against the Cross-border Debtors above certain value thresholds.

Cross-border Voting Protocol

The Applicants, together with the U.S. Debtors, the Monitor and the Unsecured Creditors Committee, have negotiated a cross-border voting protocol (the "**Cross-border Voting Protocol**") establishing efficient and consistent procedures for creditors of the Cross-border Debtors that are entitled to vote on both the U.S. Plan and the CCAA Plan (the "**Cross-border Voting Creditors**"). The Cross-border Voting Protocol was approved by the Court on July 9, 2010 and by the Bankruptcy Court on August 2, 2010.

The Cross-border Voting Protocol applies to the voting of all claims against the Cross-Border Debtors and seeks to ensure compliance with the plan confirmation procedures under the Chapter 11 Cases and the CCAA Proceedings. It provides, in essence, that a Cross-border Voting Creditors' vote to accept or reject the U.S. Plan shall be deemed a vote to accept or reject the CCAA Plan, and conversely, that a vote to accept or reject the CCAA Plan shall be deemed a vote to accept or reject the U.S. Plan. The Cross-border Voting Protocol, by clarifying the solicitation and confirmation processes as they apply to Cross-border Debtors, is also meant to establish clear guidelines for creditors of these entities.

Status of Claims Process

As of July 25, 2010, since the issuance of the Claims Procedure Orders, the Monitor has received 7,527 Claims aggregating approximately Cdn$76.7 billion of which approximately Cdn$67.3 billion are unsecured Claims. As of July 25, 2010, the status of Claims received for distribution purposes is as follows:

(in Cdn$ millions)	Net Unsecured Claims Filed	Claims Under Review	Subject to Cross-border Protocol Notice Period[1]	Subject to Revision or Disallowance Notice Periods[2]	Claims In Dispute[3]	Claims Accepted To Date	Revised, Amended and Disallowed Portion[4]
ACI Affected							
Unsecured Creditor Class	$ 7,506.0	$147.2	—	$ 241.3	$ 3,744.4	$3,307.9	$ 65.2
ACCC Affected							
Unsecured Creditor Class	$ 7,350.2	$150.5	—	$ 160.6	$ 3,295.7	$3,405.6	$337.9
15.5% Guarantor Applicant Affected Unsecured Creditor Classes in respect of each of the following:							
3224112 Nova Scotia Limited	$ 3,199.8	—	—	—	$ 3,199.8	—	—
Marketing Donohue Inc.	$ 3,138.9	—	—	$ 121.9	$ 3,017.0	—	—
3834328 Canada Inc.	$ 3,169.4	—	—	—	$ 3,169.4	—	—
6169678 Canada Inc.	$ 3,169.4	—	—	—	$ 3,169.4	—	—
1508756 Ontario Inc.	$ 3,172.4	$ 0.1	—	—	$ 3,169.4	—	$ 3.0
The Jonquière Pulp Company	$ 3,169.4	—	—	—	$ 3,169.4	—	—
The International Bridge and Terminal Company	$ 3,169.4	—	—	—	$ 3,169.4	—	—
Abitibi-Consolidated (U.K.) Inc.	$ 2,927.9	$369.9	—	—	$ 2,557.9	—	—
Scramble Mining Ltd.	$ 3,169.4	—	—	—	$ 3,169.4	—	—
Terra Nova Explorations Ltd.	$ 3,169.4	—	—	—	$ 3,169.4	—	—
Saguenay Forest Products Affected							
Unsecured Creditor Class	$ 3,174.8	$ 4.3	—	$ 0.1	$ 3,169.4	$ 0.6	$ 0.5
BCFPI Affected							
Unsecured Creditor Class	$ 1,115.4	$149.2	$117.2	$ 598.7	$ 223.7	$ 9.0	$ 17.6
BCFC Affected							
Unsecured Creditor Class	$ 1,496.4	—	—	$ 758.5	$ 241.5	—	$496.5
AbitibiBowater Canada Affected							
Unsecured Creditor Class	$ 408.6	$ 3.5	—	$ 152.8	$ 243.2	—	$ 9.1
Bowater Maritimes Affected							
Unsecured Creditor Class	$ 249.5	$ 3.0	—	$ 152.9	$ 92.9	$ 0.6	$ 0.1
ACNSI Affected							
Unsecured Creditor Class	$ 3,138.9	—	—	—	$ 3,138.9	—	—
Abitibi-Consolidated Canadian Office Products Holdings Inc.	$ 3,171.9	$ 2.5	—	$ 152.3	$ 3,017.0	—	—
Donohue Recycling Inc.	$ 3,169.9	—	—	$ 152.3	$ 3,017.0	$ 0.2	$ 0.3
Other CCAA Filed Entities[5]	$ 5,042.8	$ 1.2	—	$ 122.8	$ 4,918.6	$ 0.1	$ 0.1
Total[6]	**$67,279.8**	**$831.5**	**$117.2**	**$2,614.3**	**$56,062.5**	**$6,723.8**	**$930.4**

(1) Certain claims sent to the Unsecured Creditors' Committee or the Ad Hoc Unsecured Noteholders Committee under the Cross-border Claims Protocol are subject to a 15 Business Day period before the Monitor proceeds with acceptance, revision or disallowance.

(2) The Claim amount represents Claims that have been revised or disallowed by the Monitor, but for which the ten Business Day period during which a claimant may dispute the Monitor's revision or disallowance has yet to expire.

(3) Represents Claims for which the Monitor has issued a Notice of Revision or Disallowance and for which the Affected Unsecured Creditor has filed a Notice of Dispute in respect thereof. Claim amounts are shown herein at the original filed amount.

(4) Includes Claims reductions on account of amended Claims filed, withdrawn Claims, and Disallowed Claims.

(5) "Other CCAA Filed Entities" represents Claims filed against various Applicants, which are expected to be disallowed in full. This data remains subject to change as individual Claims are reviewed and analyzed.

(6) Minor discrepancies in the totals may be present due to rounding adjustments.

The Monitor will provide ongoing updates of the Claims process on AbitibiBowater's website at www.abitibibowater.com and on the Monitor's Website.

D. Impact of the CCAA Plan

Debt and Capital Structure

The CCAA Plan will significantly reduce the consolidated debt of the Applicants by converting the Affected Unsecured Claims to equity of Reorganized ABH. Following the implementation of the CCAA Plan, all the existing share capital of ABH and the Exchangeable Shares are to be cancelled for no consideration. The Exit Loan Facilities will also be established and the Applicants will benefit from a capital investment of up to $500 million pursuant to the Rights Offering. As contemplated in the Backstop Commitment Agreement, the amount of the Rights Offering Notes may be increased by Reorganized ABH by up to $110 million of Escrowed Notes which could be issued under the U.S. Plan in respect of unresolved Claims against certain U.S. Debtors as of the Implementation Date. The Exit Loan Facilities will also be established in an amount of up to $1.3 billion. See "*Exit Loan Facilities*" and "*Rights Offering*".

E. Illustrative Recoveries

The following table shows approximate illustrative recoveries that may be realized by Affected Unsecured Creditors in each Affected Unsecured Creditor Class based on claims data as at June 13, 2010, and a preliminary estimate of the amount of Claims that will be ultimately proven as Affected Unsecured Creditors pursuant to the Claims Procedure Orders and the Cross-border Claims Protocol. **These numbers are for illustrative purposes only and Affected Unsecured Creditors are cautioned that actual recoveries may vary materially from these numbers and will be determined by, among other things: (i) the final results of the Claims process; and (ii) the prices at which the various equity securities issued pursuant to the CCAA Plan trade in their respective markets.** See *"Risk Factors – Risks Relating to the CCAA Plan and its Implementation"*.

	Illustrative Recovery per Class of Affected Unsecured Creditors	
(in Cdn$ millions)	**Preliminary Estimate of Allowed Claims**	**Estimated Recovery**
ACI Affected Unsecured Creditor Class	$4,229	3.4%(1)
ACCC Affected Unsecured Creditor Class	$4,017	17.1%(1)
15.5% Guarantor Applicants Affected Unsecured Creditor Classes in respect of each of the following:	—	—
3224112 Nova Scotia Limited	$ 370	0%
Marketing Donohue Inc.	$ 370	0%
3834328 Canada Inc.	$ 370	0%
6169678 Canada Inc.	$ 370	0%
1508756 Ontario Inc.	$ 370	0%
The Jonquière Pulp Company	$ 370	0%(1)
The International Bridge and Terminal Company	$ 370	0%(1)
Abitibi-Consolidated (U.K.) Inc.	$ 370	0%
Scramble Mining Ltd.	$ 370	0%
Terra Nova Explorations Ltd.	$ 370	0%(1)
Saguenay Forest Products Affected Unsecured Creditor Class	$ 374	4.2%(1)
BCFPI Affected Unsecured Creditor Class	$ 569	36.5%
BCFC Affected Unsecured Creditor Class	$ 753	0.9%
AbitibiBowater Canada Affected Unsecured Creditor Class	$ 8	0%
Bowater Maritimes Affected Unsecured Creditor Class	$ 7	20.8%
ACNSI Affected Unsecured Creditor Class	$ 370	43%(1)
Donohue Recycling Inc.	$ 370	0%
Abitibi-Consolidated Canadian Office Products Holdings Inc.	$ 372	0%

(1) This percentage represents the estimated recovery on all Claims against ACI, ACCC, Saguenay Forest Products, Abitibi-Consolidated (U.K.) Inc. and ACNSI, respectively, other than the 15.5% Senior Unsecured Notes Claims.

The Monitor will provide ongoing updates of the status of the Claims process on the Monitor's Website.

F. Description of the CCAA Plan

The following description of the CCAA Plan is a summary only and is qualified in its entirety by the full text of the CCAA Plan. The governing document is the CCAA Plan which is attached as Appendix C – *"Plan of Reorganization and Compromise"* to this Circular.

Purpose of the CCAA Plan

As a result of the events more fully described in *"The CCAA Plan – Events Leading to the CCAA Proceedings"*, the Applicants have developed the Plans. Effectiveness of the CCAA Plan is conditional upon the effectiveness of the U.S. Plan, and effectiveness of the U.S. Plan is conditional upon the effectiveness of the CCAA Plan.

The CCAA Plan and the U.S. Plan are the result of an extensive review of the available alternatives by the Applicants and their financial and legal advisors and the Monitor, to address ABH's financial condition and to maximize recovery for the Affected Unsecured Creditors under the circumstances.

The CCAA Plan is designed to:

(a) provide for a coordinated restructuring and compromise of the Applicants' debt obligations; and

(b) reorganize and simplify the Applicants' corporate and capital structure.

Timing for the CCAA Plan to Become Effective

The following sets forth certain events and dates leading to the Implementation Date:

April 17, 2009	Grant of Initial Order
May 4, 2010	Filing of draft CCAA Plan and U.S. Plan
May 24, 2010	Filing of amended draft CCAA Plan, amended U.S. Plan, draft Circular and Disclosure Statement
July 9, 2010	Hearing in respect of the Creditors' Meeting Order
August 2, 2010	Hearing on Disclosure Statement and voting procedures
August 9, 2010	Mailing of the Circular and related materials
September 7, 2010	Voting Record Date
September 14, 2010	Creditors' Meetings
September 20, 2010	Hearing in respect of the Sanction Order
September 24, 2010	Hearing in respect of U.S. Plan confirmation
October 14, 2010	Targeted date for Implementation Date

Restructuring

Persons Affected

The CCAA Plan provides for a coordinated restructuring and compromise of Affected Claims against the Applicants. The U.S. Debtors are subject to the Chapter 11 Cases and have filed the U.S. Plan with the Bankruptcy Court. Under the CCAA Plan, the treatment of a Proven Claim against a Cross-border Debtor is intended to be consistent with the treatment of an Allowed Claim (as defined in the U.S. Plan) against same Cross-border Debtor in the U.S. Plan, with the Holder of such Allowed Cross-border Claim, receiving a single recovery on account of such Allowed Cross-border Claim in the Plans and the aggregate distribution which such Holder of an Allowed Cross-border Claim shall receive, whether under the CCAA Plan or the U.S. Plan or a combination of both, not exceeding the greatest distribution which such Allowed Cross-border Claim would be entitled to receive under the CCAA Plan or the U.S. Plan. The CCAA Plan will become effective on the Implementation Date in accordance with its terms and in the sequence set forth in Section 6.1 of the CCAA Plan. Each Affected Claim against the Applicants will be fully and finally compromised or otherwise assigned or transferred in the manner and the sequence as set forth in the CCAA Plan and the Restructuring Transactions Notice. The CCAA Plan shall be binding on and enure to the benefit of the Applicants, the Affected Unsecured Creditors of each Affected Unsecured Creditor Class, the Released Parties, any trustee, agent or other Person acting on behalf of any Affected Unsecured Creditor and such other Persons who have received the benefit of, or are bound by any compromises, waivers, releases or indemnities hereunder.

Classes of Affected Claims

(a) Classes of Affected Claims

Subject to Section 4.4 of the CCAA Plan as described in "*The CCAA Plan – Description of the CCAA Plan – Required Approvals*" for the purpose of voting on, and distributions pursuant to, the CCAA Plan, the Affected Claims are divided into 20 classes as set out below:

(i) the ACI Affected Unsecured Creditor Class;

(ii) the ACCC Affected Unsecured Creditor Class;

(iii) the 15.5% Guarantor Applicant Affected Unsecured Creditor Classes, being 10 classes of Affected Unsecured Creditors grouped in accordance with their Affected Claims against each of the 15.5% Guarantor Applicants, which Affected Claims only include 15.5% Senior Unsecured Notes Claims;

(iv) the Saguenay Forest Products Affected Unsecured Creditor Class;

(v) the BCFPI Affected Unsecured Creditor Class;

(vi) the BCFC Affected Unsecured Creditor Class;

(vii) the AbitibiBowater Canada Affected Unsecured Creditor Class;

(viii) the Bowater Maritimes Affected Unsecured Creditor Class;

(ix) the ACNSI Affected Unsecured Creditor Class;

(x) the Office Products Affected Unsecured Creditor Class; and

(xi) the Recycling Affected Unsecured Creditor Class.

Excluded Claims

The CCAA Plan does not affect the following (each, an "**Excluded Claim**"):

(i) any Claim, Subsequent Claim or Restructuring Claim secured by the Abitibi Administration Charge, the Bowater Administration Charge, the Abitibi D&O Charge, the Bowater D&O Charge, the ACI DIP Charge, the BI DIP Lenders Charge and the Bowater Adequate Protection Charge (each, a "**CCAA Charge Claim**");

(ii) any Administrative Claim;

(iii) any Secured Claim;

(iv) any Securitization Claim;

(v) subject to Subsection 2.5(c) of the CCAA Plan, any Inter-company Claim, including those secured by the ACI Inter-company Advances Charge and the BI Inter-company Advances Charge;

(vi) any Claim of an employee of any of the Applicants who was employed by that Applicant as of April 16, 2009, other than Claims by any such employee who was required to file its Proof of Claim prior to April 7, 2010 or any applicable subsequent Claim Bar Date, pursuant to and in accordance with the Third Claims Procedure Order (the "**Excluded Employee Claims**");

(vii) any Post-filing Claim;

(viii) any Insured Claim that is not a Proven Claim but only to the extent of the coverage available to the Applicants under any applicable Insurance Contract (excluding any applicable deductible);

(ix) any Government Priority Claim; and

(x) any Claim, Subsequent Claim or Restructuring Claim ordered by the Court to be treated as an Excluded Claim for the purpose of the CCAA Plan.

Creditors with Excluded Claims will not be entitled to vote at any Creditors' Meeting or receive any distributions under the CCAA Plan in respect of the portion of their Claims which is an Excluded Claim. Nothing in the CCAA Plan shall affect the Applicants' rights and defences, both legal and equitable, with respect to any Excluded Claim including any rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Excluded Claims.

Treatment of Affected Claims

(a) Compromise of ACI Affected Unsecured Claims

(i) Each ACI Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such ACI Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the ACI Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against ACI, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no ACI Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each ACI Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against ACI, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against ACI in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACI, provided, however, that each ACI Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against ACI will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of ACI in Schedule "D" to the CCAA Plan, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACI.

(b) Compromise of ACCC Affected Unsecured Claims

(i) Each ACCC Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such ACCC Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the ACCC Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against ACCC, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no ACCC Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each ACCC Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above against ACCC will, in full and final satisfaction of its Proven Claim against ACCC, ultimately receive (A) Pro Rata share of the number of shares of New ABH Common Stock set forth against ACCC in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACCC, provided, however, that each ACCC Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Notes Claim against ACCC will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its Rights Offering Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of ACCC in Schedule "D" to the CCAA Plan, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its 15.5% Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACCC.

(c) Compromise of 15.5% Guarantor Applicant Affected Unsecured Claims

(i) Each 15.5% Guarantor Applicant Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such 15.5% Guarantor Applicant Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the 15.5% Guarantor Applicant Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against the 15.5% Guarantor Applicants, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no 15.5% Guarantor Applicant Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each 15.5% Guarantor Applicant Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above against any 15.5% Guarantor Applicant will, in full and final satisfaction of its Proven Claim against such 15.5% Guarantor Applicant, ultimately receive (A) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of such 15.5% Guarantor Applicant in Schedule "D" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to each 15.5% Guarantor Applicant.

(d) Compromise of Saguenay Forest Products Affected Unsecured Claims

(i) Each Saguenay Forest Products Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such Saguenay Forest Products Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Saguenay Forest Products Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against Saguenay Forest Products, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Saguenay Forest Products Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each Saguenay Forest Products Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against Saguenay Forest Products, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against Saguenay Forest Products in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Saguenay Forest Products, provided, however, that each Saguenay Forest Products Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against Saguenay Forest Products will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of Saguenay Forest Products in Schedule "D" to the CCAA Plan, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Saguenay Forest Products.

(e) Compromise of BCFPI Affected Unsecured Claim

(i) Each BCFPI Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such BCFPI Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the BCFPI Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against BCFPI, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no BCFPI Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each BCFPI Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against BCFPI, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against BCFPI in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to BCFPI.

(f) Compromise of BCFC Affected Unsecured Claims

(i) Each BCFC Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such BCFC Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the BCFC Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against BCFC, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no BCFC Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each BCFC Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against BCFC, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against BCFC in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to BCFC.

(g) Compromise of AbitibiBowater Canada Affected Unsecured Claims

(i) Each AbitibiBowater Canada Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such AbitibiBowater Canada Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the AbitibiBowater Canada Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against AbitibiBowater Canada, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no AbitibiBowater Canada Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each AbitibiBowater Canada Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against AbitibiBowater Canada, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against AbitibiBowater Canada in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to AbitibiBowater Canada.

(h) Compromise of Bowater Maritimes Affected Unsecured Claims

(i) Each Bowater Maritimes Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A) such Bowater Maritimes Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Bowater Maritimes Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against Bowater Maritimes, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Bowater Maritimes Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each Bowater Maritimes Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against Bowater Maritimes, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against Bowater Maritimes in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Bowater Maritimes.

(i) Compromise of ACNSI Affected Unsecured Claims.

(i) Each ACNSI Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A) such ACNSI Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the ACNSI Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against ACNSI, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each

Election Notice, once delivered to the Monitor, will be final and irrevocable and no ACNSI Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each ACNSI Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against ACNSI, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against ACNSI in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights, provided, however, that each ACNSI Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against ACNSI will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of ACNSI in Schedule "D" to the Plan, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to ACNSI.

(j) Compromise of Office Products Affected Unsecured Claims

(i) Each Office Products Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such Office Products Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Office Products Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against Office Products, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Office Products Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each Office Products Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against Office Products, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against Office Products in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights, provided, however, that each Office Products Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against Office Products will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of Office Products in Schedule "D" to the CCAA Plan, subject to Dilution, and (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Office Products.

(k) Compromise of Recycling Affected Unsecured Claims

(i) Each Recycling Affected Unsecured Creditor with Proven Claims the aggregate Face Amount of which is (A) equal to or less than Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) or (B) reduced, for distribution purposes only, to Cdn$6,073 (being the Canadian dollar equivalent based on the Date of Filing Exchange Rate and, for the purposes hereof, deemed conclusively to be the equivalent, of US$5,000) pursuant to an election by the Holder made on the Election Notice, shall receive in full and final satisfaction of its Proven Claims, a Cash distribution in an amount equal to the lesser of 50% of the Face Amount of its Proven Claims and Cdn$3,036.50 (being 50% of Cdn$6,073), unless in the case of clause (A), such Recycling Affected Unsecured Creditor files an Election Notice with the Monitor by the Election Deadline in which the Recycling Affected Unsecured Creditor elects to receive, in full and final satisfaction of its Proven Claim against Recycling, a distribution as set forth in paragraph (ii) below. To be valid, an Election Notice must be received by the Monitor by the Election Deadline. Each Election Notice, once delivered to the Monitor, will be final and irrevocable and no Recycling Affected Unsecured Creditor shall be entitled to change, revoke or withdraw its election to receive a distribution as set forth in paragraph (ii) below after receipt by the Monitor of such completed Election Notice.

(ii) In accordance with the other provisions of the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice, each Recycling Affected Unsecured Creditor with a Proven Claim who does not receive a Cash distribution pursuant to paragraph (i) above will, in full and final satisfaction of its Proven Claim against Recycling, ultimately receive (A) its Pro Rata share of the number of shares of New ABH Common Stock set forth against Recycling in Schedule "C" to the CCAA Plan, subject to Dilution, and, (B) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights, provided, however, that each Recycling Affected Unsecured Creditor with a Proven Claim in respect of a 15.5% Senior Unsecured Note Claim against Recycling will, in full and final satisfaction of such Proven Claim, ultimately receive (y) its 15.5% Pro Rata share of the number of shares of New ABH Common Stock set forth against the name of Recycling in Schedule "D" to the CCAA Plan, subject to Dilution, and, (z) to the extent eligible and subject to the Section 1145 Cutback, its Rights Offering Pro Rata share of the number of Subscription Rights allocated to Recycling.

No Vote Occurrence

Unless otherwise set forth in the CCAA Plan, Affected Unsecured Creditors in any Affected Unsecured Creditor Class that fails to approve the CCAA Plan by the affirmative vote of the Required Majority or in respect of which the CCAA Plan is not sanctioned by the Court (each, a "**No Vote Occurrence**") shall be deemed to be Unaffected Creditors in respect of their Claims against that No Vote Applicant for the purposes of the CCAA Plan.

In the event of a No Vote Occurrence, each Applicant affected by such No Vote Occurrence (each, a "**No Vote Applicant**") or any other Applicant or Partnership may undertake, at its sole and absolute discretion, any transactions necessary for such No Vote Applicant's equity or other interests in any other Applicant or Partnership to be changed, exchanged, cancelled, redeemed, reorganized, transferred or otherwise dealt with, for NIL consideration.

In the event of a No Vote Occurrence, any Inter-company Claim held by a No Vote Applicant shall be deemed to be an Affected Unsecured Claim for the purposes of the CCAA Plan and shall be compromised in accordance with the applicable provisions of Section 2.4 of the CCAA Plan, even though such No Vote Applicant shall not have voted in respect of the CCAA Plan. Should there be a No Vote Occurrence, the

Applicants intend to initiate a process to allow any No Vote Applicant to file Claims against the other Applicants, and ultimately receive distributions on account of any Proven Claims under the CCAA Plan.

Treatment of Unaffected Creditors

(a) CCAA Charge and Administrative Claims

Except as provided below in respect of the BI DIP Claims, Holders of CCAA Charge Claims shall receive full payment in Cash of such Claims at such times and in such amounts as may be determined by the Monitor or the Court from time to time. Except as otherwise specifically provided in the CCAA Plan or the U.S. Plan, the Holders of Administrative Claims shall receive full payment in Cash of such Claims in accordance with the principles set out in the U.S. Plan. In addition, to the extent any obligation that would otherwise constitute an Administrative Claim is paid as a CCAA Charge under the CCAA Plan, such payment shall be the only payment to be made on account of such Administrative Claim in the CCAA Proceedings and the Chapter 11 Cases.

Furthermore, no distributions shall be made under the CCAA Plan on account of a Proven Claim (or any part thereof) against a Cross-border Debtor that is entitled to treatment under section 503(b)(9) of the Bankruptcy Code (such Claim or portion thereof entitled to such treatment, a "**Cross-border 503(b)(9) Claim**" and a creditor holding such Claim, a "**Cross-border 503(b)(9) Claimant**") unless the Disbursing Agent provides 60 days advance notice of such intended distribution to the Post-Effective Date Claims Agent (as defined under the U.S. Plan), and no distribution shall be made for such longer period as may be ordered by a Court of competent jurisdiction with respect to any particular Cross-border 503(b)(9) Claim; provided, however, that the Post-Effective Date Claims Agent at any time may agree that the Disbursing Agent may make a distribution on a Cross-border 503(b)(9) Claim prior to the expiration of the 60 day period; and provided further, however, that the 60 day notice period shall not apply to the extent a Cross-border 503(b)(9) Claimant withdraws its Cross-Border 503(b)(9) Claim.

(b) Secured Claims

On the Implementation Date, Holders of Secured Claims (a) shall receive full payment in Cash of their applicable Proven Secured Claims (other than their Proven Secured Claims in respect of any BCFPI Secured Bank Letters of Credit), and (b) in respect of any BCFPI Secured Bank Letters of Credit either (i) the Holders of Secured Claims shall receive on, or as soon as practicable after, but in any event not later than five Business Days after, the Implementation Date, Cash collateral in the aggregate face amount of the BCFPI Secured Bank Letters of Credit plus an amount sufficient to cover all fees for the term of each BCFPI Secured Bank Letters of Credit and in the currency of such BCFPI Secured Bank Letters of Credit, (ii) the BCFPI Administrative Agent shall have received undrawn the original BCFPI Secured Bank Letters of Credit marked "cancelled" and such BCFPI Secured Bank Letters of Credit shall be extinguished, or (iii) the Holders of Secured Claims shall receive treatment with respect to the BCFPI Secured Bank Letters of Credit on such other terms the Applicants and Holders of such Secured Claims may agree, provided that in no event shall any shares of New ABH Common Stock be distributed on account of or in respect of the BCFPI Secured Bank Letters of Credit.

(c) Securitization Claims

On the Implementation Date, in accordance with the U.S. Plan, all outstanding receivable interests purchased under the Securitization Facility will be repurchased in Cash for a price equal to the par amount thereof plus accrued and unpaid yield and fees and Servicer fees payable under the Securitization Facility, and any unpaid fees and expenses or other amounts payable under the Securitization Facility whether by an Applicant or an affiliate of the Applicants, and any and all Securitization Claims shall be paid in full in Cash. On the Implementation Date, after all such receivable interests are repurchased and all such payments are made, the Securitization Facility shall be terminated, and all Securitization Claims shall be deemed fully satisfied and released.

(d) BI DIP Lenders Claims and ULC DIP Lender Claims

On the Implementation Date, the BI DIP Lenders, the BI DIP Agent and ULC shall receive full payment in Cash of their applicable BI DIP Claims and ULC DIP Claims.

(e) Inter-company Claims

Subject to Section 2.5(c) of the CCAA Plan, at the sole and absolute discretion of the Applicants or the Partnerships, any and all Inter-company Claims may be ratified, in whole or in part, by the Applicants or the Partnerships, and treated in the ordinary course of business, amended, repaid, cancelled or discharged, in whole or in part, in the manner and the sequence as set forth in the Restructuring Transactions Notice, provided, however, that any such elections by the Applicants or the Partnerships hereunder or under the Restructuring Transactions Notice shall not impact any recoveries under the CCAA Plan.

(f) Deemed Unaffected Creditors

Affected Unsecured Creditors deemed to be Unaffected Creditors pursuant to Section 2.5(a) of the CCAA Plan, as described above under Section "*No Vote Occurrence*", shall not be entitled to receive any distribution under the CCAA Plan.

(g) Government Priority Claims

Within six months after the Sanction Order, the Applicants will pay in full all Government Priority Claims.

(h) Supplemental Distribution

The Applicants shall, as soon as practicable on or after the Implementation Date, make a supplemental distribution in Cash (the "**Supplemental Distribution**") in a maximum individual amount to be determined by the Applicants, in consultation with the Monitor, to such present or former employees: (i) who were employed by the Applicants, other than the Cross-border Debtors, on or after the Date of Filing, and (ii) who are holding an Affected Unsecured Claim that is a Proven Claim; provided, however, that the aggregate amount payable hereunder shall not exceed Cdn$ five million. No later than ten days prior to the Implementation Date, the Applicants, other than the Cross-border Debtors, shall determine, in consultation with the Monitor, the employees who shall be entitled to receive such Supplemental Distribution (the "**Distribution Eligible Employees**") and the amount of the Supplemental Distribution to be allocated to each Distribution Eligible Employee, provided, however, that (i) no Distribution Eligible Employee shall have a right of review or appeal in respect of such allocation which shall, for all purposes, be final and binding upon the Distribution Eligible Employees, and (ii) any Affected Claim of each Distribution Eligible Employee shall, for distribution purposes under the CCAA Plan, be reduced by the amount of such Distribution Eligible Employee's Supplemental Distribution.

Monitor's Fees and Expenses

The Monitor's fees and expenses, including the fees and disbursements of its counsel, shall be paid from time to time by the Applicants.

No Distribution of New ABH Common Stock to Unaffected Creditors

Under no circumstances, including under the CCAA Plan or the U.S Plan, shall Unaffected Creditors receive a distribution of shares of New ABH Common Stock.

Exchangeable Shares

The Exchangeable Shares together with all ancillary documents in connection therewith or which relate thereto, including the amended and restated support agreement among ABH, BCHI, AbitibiBowater Canada and Bowater and the amended and restated voting and exchange trust agreement among AbitibiBowater Canada, BCHI, ABI, Bowater and Computershare Trust Company of Canada (or any successor trustee), shall be cancelled and terminated, as the case may be, in the manner and the sequence as set forth in the Restructuring Transactions Notice and the holders of Exchangeable Shares shall not be entitled to receive any distribution, consideration or other compensation on account thereof.

Equity Securities

The Equity Securities may, at the sole discretion of the Applicants or the Partnerships, be preserved, amended, cancelled or otherwise dealt with, in whole or in part, in the manner and the sequence as set forth in the Restructuring Transactions Notice and the holders of such Equity Securities shall not be entitled to receive any distribution, consideration or other compensation on account thereof.

Distribution in Respect of Disputed Claims and Fractional Shares

(a) No Distributions Pending Allowance

The CCAA Plan provides that no distributions will be made with respect to a Disputed Claim unless and until it has become a Proven Claim. Prior to the Implementation Date, Disputed Claims will be dealt with in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol. Following the Implementation Date, the resolution of Disputed Claims will continue to be dealt with in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol.

(b) The Applicants Reserve

As of the Initial Distribution Date, the Monitor, in its capacity as Disbursing Agent, shall establish the Applicants Reserve by holding on account of Disputed Claims, a number of shares of New ABH Common Stock equal to the amount of shares of New ABH Common Stock that the Holders of Disputed Claims would be entitled to receive if all such Disputed Claims had been Proven Claims in their entire amount on the Initial Distribution Record Date. The shares of New ABH Common Stock deposited in the Applicants Reserve shall not be voted by the Monitor, in its capacity as Disbursing Agent and holder of record of such securities, except pursuant to, and in accordance with, an Order of the Court.

(c) Distributions From the Applicants Reserve Once Disputed Claims Resolved

The Monitor, in its capacity as Disbursing Agent, shall make allocations from the Applicants Reserve to Holders of Proven Claims following the Initial Distribution Date in accordance with the CCAA Plan. To the extent that Disputed Claims become Proven Claims after the Initial Distribution Record Date, the Monitor, in its capacity as Disbursing Agent, shall on the applicable Interim Distribution Date or the Final Distribution Date, distribute from the Applicants Reserve to the Holders of such Proven Claims, the shares of New ABH Common Stock which they would have been entitled to receive in respect of such Proven Claims had such Affected Claims been Proven Claims on the Initial Distribution Record Date. To the extent that any Disputed Claim or a portion thereof has become a Disallowed Claim after the Initial Distribution Record Date, then the Monitor, in its capacity as Disbursing Agent, shall distribute on the applicable Interim Distribution Date or the Final Distribution Date, to the Holders of Affected Unsecured Claims that have previously been adjudicated under the CCAA Plan to be Proven Claims, their Pro Rata share from the Applicants Reserve, of such additional shares of New ABH Common Stock kept in the Applicants Reserve on account of such Disallowed Claims, the whole in accordance with the allocation provided in Schedule "C" and Schedule "D" of the CCAA Plan. The Monitor, in its capacity as Disbursing Agent shall make its last distribution on the Final Distribution Date.

Implementation of the CCAA Plan

CCAA Plan Transactions

Except for the steps and transactions set forth in Subsection 6.1(a)(i) of the CCAA Plan, each of the following transactions contemplated by and provided for under the CCAA Plan will be consummated and effected and shall for all purposes be deemed to occur on or before the Final Restructuring Transactions Time. Accordingly, all of the appropriate documents, agreements and funding necessary to implement all such transactions must be in place and be final and irrevocable prior to the Implementation Date to be held in escrow until their release without any further act or formality, except as provided in the Sanction Order.

(a) **Restructuring Transactions.** Each of the steps and transactions comprising the Restructuring Transactions shall be effected in the manner and the sequence as set forth in the Restructuring Transactions Notice.

(b) **Exit Loan Facilities.** The Reorganized Debtors will enter into definitive documentation, in a form and in substance satisfactory to the Applicants, with respect to the Exit Loan Facilities in an aggregate amount up to (A) $2.3 billion, less (B) cash on hand and proceeds from the Rights Offering. The Applicants will borrow funds under the Exit Loan Facilities in amounts which, together with such other Cash as is then available to the Applicants, will be sufficient to make all Cash distributions to be made under the Plans.

(c) **Payment of Certain Excluded Claims.** The Excluded Claims that pursuant to the CCAA Plan are required to be paid on the Implementation Date shall be paid in full as set forth in the CCAA Plan.

(d) **New ABH Common Stock.** The shares of New ABH Common Stock to be distributed to Affected Unsecured Creditors will be delivered in accordance with the CCAA Plan, including the Restructuring Transactions.

(e) **Compromise of Debt.** The Affected Claims will be settled, compromised, released or otherwise dealt with in accordance with the CCAA Plan and in the manner and the sequence as set forth in the Restructuring Transactions Notice.

(f) **Rights Offering.** In accordance with the terms of the Backstop Commitment Agreement, the Applicants may implement a rights offering (the "**Rights Offering**") for the issuance of convertible unsecured subordinated notes (the "**Rights Offering Notes**"), on the terms set out in the Backstop Commitment Agreement, including Exhibit "C" thereto. The Rights Offering Notes will be (A) in an aggregate principal amount not to exceed $500 million in accordance with the terms of the Backstop Commitment Agreement, and (B) made available to certain Affected Unsecured Creditors in the Chapter 11 Cases and the CCAA Proceedings on the Implementation Date. As contemplated by the Backstop Commitment Agreement, the amount of the Rights Offering Notes may be increased by up to $110 million of Escrowed Notes which could be issued by Reorganized ABH under the U.S. Plan in respect of unresolved Claims against certain U.S. Debtors as of the Implementation Date. In accordance with the terms of the Backstop Commitment Agreement, the number of Rights Offering Notes (and Escrowed Notes) for which any Eligible Holder may subscribe in the Rights Offering may be decreased by the Applicants and the Reorganized Debtors to the extent required by the Bankruptcy Court, to allow the Rights Offering to be exempt from registration under the Securities Act of 1933 pursuant to Section 1145 of the Bankruptcy Code (the "**Section 1145 Cutback**"). Where permitted under the terms of the Backstop Commitment Agreement, the Applicants shall be authorized to implement procedures, and amend, supplement, modify or enter into agreements and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Rights Offering, and effectuate the distribution of the Rights Offering Notes, without any further Order. Any Rights Offering Notes excluded from the Rights Offering due to a Section 1145 Cutback will instead be offered to the Backstop Parties for purchase on or before the Implementation Date as Unsubscribed Notes in accordance with the terms of the Backstop Commitment Agreement.

(g) **Reserve for Disputed Claims.** The Applicants Reserve will be established.

(h) **CCAA Charges Cancelled.** The CCAA Charges will be cancelled, provided that the BI DIP Lenders Charge shall be cancelled on the condition that the BI DIP Claims are paid in full on the Implementation Date.

(i) **Expiry of the Stay Period.** The Stay Termination Date will occur.

Restructuring Transactions

The Applicants shall take actions as may be necessary or appropriate to effect the Restructuring Transactions as set forth in the Restructuring Transactions Notice, including all of the transactions described in the Plans and the transactions necessary or appropriate to simplify the Applicants' and the Partnerships' structure and to effect a restructuring of their respective businesses. Such actions may include: (i) the execution and delivery of appropriate articles, agreements or other documents of incorporation, merger, amalgamation, consolidation, arrangement, continuation, restructuring, exchange, conversion, liquidation, winding-up, dissolution, transfer, reorganization, repayments, cancellations, discharges or other transactions containing terms that are consistent with the terms of the Plans; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption, including, where applicable, with respect to the assumption of liabilities upon the transfer or assignment of assets or liquidation or winding-up of any Applicant or Partnership, guarantee, or delegation of any property, right, privilege, liability, duty or obligation on terms consistent with the terms of the Plans in each case without the need to obtain any consent by any Person; (iii) the filing of appropriate articles, agreements or other documents of incorporation, merger, amalgamation, consolidation, arrangement, continuation, restructuring, conversion, liquidation, winding-up, dissolution, transfer, reorganization, repayments, cancellations, discharges or other transactions with the appropriate Governmental Entities under applicable Law; (iv) determining the manner and the sequence in which the Affected Claims are settled, compromised or otherwise dealt with, and (v) all other actions that the Applicants or the Partnerships determine are necessary or appropriate to give effect to the Restructuring Transactions, including the making of filings or recordings in connection with the relevant Restructuring Transactions. The Applicants shall be permitted to implement certain of the Restructuring Transactions after the Implementation Date as contemplated in the Restructuring Transactions Notice. The form of each Restructuring Transaction shall, where applicable, be determined by each of the Applicants, the Partnerships and the U.S. Debtors and their successors party to any Restructuring Transaction, and shall be approved by the Monitor, provided, however, that the Applicants, the Partnerships and the U.S. Debtors reserve the right to undertake transactions in lieu of or in addition to such Restructuring Transactions as the Applicants, the Partnerships and the U.S. Debtors may deem necessary or appropriate under the circumstances and as approved by the Monitor and provided, further, that ULC shall continue as a separate entity, with all the powers of an unlimited liability company in accordance with the applicable Law of its jurisdiction of incorporation and pursuant to its constating documents in effect prior to the Implementation Date. Notwithstanding the foregoing or any other provision of the CCAA Plan, the implementation of any of the Restructuring Transactions or other transactions undertaken in accordance with this paragraph shall not affect the distributions under the CCAA Plan or the U.S. Plan.

The Restructuring Transactions Notice will be posted on the Monitor's Website and will also be announced by way of press release concurrently with such posting.

Corporate Action

On the Implementation Date and, where applicable, in the sequence as set forth in the Restructuring Transactions Notice, all corporate actions contemplated by the CCAA Plan, including the Restructuring Transactions, shall be deemed to have been authorized and approved in all respects (subject to the provisions of the CCAA Plan). All matters provided for in the CCAA Plan, including the Restructuring Transactions, shall be deemed to have timely occurred, including, where applicable, in the sequence as set forth in the Restructuring Transactions Notice, in accordance with applicable Law, and shall be effective, without any requirement of further action by the creditors, securityholders, directors, officers, managers or partners of any of the Applicants, the Partnerships or Reorganized Debtors. On the Implementation Date, and, where applicable, in the sequence as set forth in the Restructuring Transactions Notice, the appropriate directors and officers of the Applicants, the Partnerships or Reorganized Debtors shall be authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by the CCAA Plan, including with respect to the Restructuring Transactions, in the name of and on behalf thereof.

Continued Existence and Vesting of Assets in Reorganized Debtors

(a) On and after the Final Restructuring Transactions Time, after giving effect to each of the Restructuring Transactions contemplated in the Restructuring Transactions Notice, each of the Reorganized Debtors shall continue to exist as a separate entity, with all the powers of a corporation, limited liability company, unlimited liability company, partnership or such other entity, as the case may be, in accordance with the applicable Law in the jurisdiction in which it is incorporated, organized or otherwise formed and pursuant to its constating documents in effect prior to the Implementation Date, except to the extent such Law or documents are amended or changed pursuant to the CCAA Plan, including the Restructuring Transactions, or the U.S. Plan, as applicable, without prejudice to any right to change such documents or Law or terminate such existence thereafter.

(b) The continued existence, operation, and ownership of those affiliates of, or entities related to, the Applicants that are neither Applicants in the CCAA Proceedings nor U.S. Debtors in the Chapter 11 Cases, each of which is a component of the Applicants' businesses, are unaffected, and all of the Applicants' equity or other interests in such non-Applicant and non-U.S. Debtor affiliates and related entities that are assigned or transferred in the manner and the sequence as set forth in the Restructuring Transactions Notice shall vest in the applicable Reorganized Debtor.

(c) Except as otherwise provided in the CCAA Plan, all property of the Applicants and the Partnerships assigned or transferred in the manner and the sequence as set forth in the Restructuring Transactions Notice, including all claims, privileges, rights (including all rights in any executory contracts, unexpired leases, Timber Supply and Forest Management Agreements (TSFMAs), outstanding and unused volumes of cutting rights (backlog) under any TSFMA, tenure agreements or any other agreements), permits, certificates, licenses, approval granted by a Governmental Entity and causes of action, shall vest in the applicable Reorganized Debtors free and clear of all Claims and Liens. If such property is not assignable or transferable, it shall be deemed reissued in the name of the applicable Reorganized Debtor free and clear of all Claims and Liens. If the assignment or transfer of such property requires the authorization or consent of a third party, including any Governmental Entity, such authorization or consent shall be deemed to have been obtained.

CCAA Vesting Order

The Applicants, the Partnerships and the Reorganized Debtors shall be entitled to request one or more CCAA Vesting Order(s) from the Court, which shall provide for the transfer and assignment to the Applicants, the Partnerships or Reorganized Debtors of assets in the manner and the sequence as set forth in the Restructuring Transactions Notice. The Order of the Bankruptcy Court confirming the U.S. Plan pursuant to Section 1129 of the Bankruptcy Code shall constitute the Bankruptcy Court's approval of such transfers and assignments for purposes of the Chapter 11 Cases. The CCAA Vesting Order(s) shall constitute the Court's approval of such transfers and assignments for purposes of the CCAA Proceedings. The Affected Unsecured Creditors shall be deemed to have consented to such transfers and assignments.

Dissolution of Certain Applicants and Partnerships

All Applicants and Partnerships to be dissolved pursuant to the Restructuring Transactions shall be deemed dissolved for all purposes without the necessity for any other or further action by or on behalf of any Person, including the Applicants or the Partnerships or their respective securityholders, directors, officers, managers or partners or for any payments to be made in connection therewith; provided, however, that the Applicants, the Partnerships and the Reorganized Debtors shall cause to be filed with the appropriate Governmental Entities articles, agreements or other documents of dissolution for the dissolved Applicants or Partnerships to the extent required by applicable Law. On and after the Implementation Date, the Applicants or Partnerships and the Reorganized Debtors shall not be required to file any document, or take any other action, to withdraw the business operations of any dissolved Applicants or Partnerships from any jurisdiction in which such Applicants or Partnerships previously conducted their business operations.

Listing of Shares of New ABH Common Stock

The Applicants shall use their reasonable best efforts to cause the shares of New ABH Common Stock to be listed on the TSX.

Distributions under the CCAA Plan

(a) Distributions for Claims Allowed as at the Initial Distribution Date

Except as otherwise provided herein or as ordered by the Court, distributions to be made on account of Affected Claims that are Proven Claims as at the Initial Distribution Record Date shall be made on the Initial Distribution Date. Thereafter, distributions on account of Affected Claims that are determined to be Proven Claims after the Initial Distribution Record Date shall be made on the Interim Distribution Date or the Final Distribution Date and in accordance with Article 5 and Article 7 of the CCAA Plan.

(b) Assignment of Claims

For purposes of determining entitlement to receive any distribution pursuant to the CCAA Plan, the Applicants, the Disbursing Agent and the Servicers, and each of their respective agents, successors and assigns, shall have no obligation to recognize any transfer or assignment of any Affected Claim unless and until notice of the transfer or assignment from either the transferor, assignor, transferee or assignee, together with evidence showing ownership, in whole or in part, of such Affected Claim and that such transfer or assignment was valid at Law, has been received by the affected Applicants, the Disbursing Agent or the Servicer, as the case may be, at least five Business Days prior to the Initial Distribution Record Date, any Interim Distribution Record Date or the Final Distribution Date. The assignment of any Affected Claims shall not affect the treatment of such Affected Claims. Therefore, among other things, a Claim subject to Subsections 2.4(a)(i), 2.4(b)(i), 2.4(c)(i), 2.4(d)(i), 2.4(e)(i), 2.4(f)(i), 2.4(g)(i), 2.4(h)(i), 2.4(i)(i), 2.4(j)(i) or 2.4(k)(i) of the CCAA Plan shall remain subject to such Subsection following its transfer to a transferee or assignee.

(c) Interest on Affected Unsecured Claims

(i) The amount of each Affected Unsecured Claim shall, for all purposes other than for voting and distribution purposes, include the interest accrued thereon, if any, as of the Implementation Date calculated in accordance with the contract or other arrangement giving rise to such Affected Unsecured Claim. The Face Amount of each Affected Unsecured Claim shall, for voting and distribution purposes, be valued as of the Date of Filing without regard to any interest accruing thereon thereafter and such interest accrual shall not in any way diminish or otherwise affect the operation and scope of the settlement or compromise of the Affected Claims nor the full and complete releases provided for in the Plans in respect of capital, interest or otherwise.

(ii) To the extent that any Proven Claim to which a distribution under the CCAA Plan relates is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable Law, be allocated to the principal amount of the Proven Claim first and then, to the extent that the consideration exceeds the principal amount of the Proven Claim, to the portion of such Proven Claim representing accrued but unpaid interest (including interest in respect of any secured portion of such Proven Claim).

(d) Distributions by Disbursing Agent

The Disbursing Agent shall make all distributions required under the CCAA Plan subject to the provisions of Article 5 and Article 7 of the CCAA Plan. If the Disbursing Agent is an independent third party, then such Disbursing Agent shall receive, without further Court approval, reasonable compensation for distribution services rendered pursuant to the CCAA Plan and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services from the Applicants on terms acceptable to the Applicants. No Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court.

(e) Disbursing Agent Shall Not Distribute Cash Below Cdn$10

The Disbursing Agent shall not be required to, but may in its sole and absolute discretion: (a) make Cash distributions to Holders of Proven Claims in an amount less than Cdn$10; or (b) make any distribution on account of any Proven Claim in the event that the costs of making such payment exceed the amount of such distribution.

(f) Disbursing Agent Shall Not Distribute Fractional Shares

Notwithstanding any other provision of the CCAA Plan, only whole numbers of shares of New ABH Common Stock shall be distributed to Holders of Proven Claims. When any distribution on account of any Proven Claim would otherwise result in the distribution of a number of shares of New ABH Common Stock that is not a whole number, the actual distribution of such shares shall be rounded to the next higher or lower whole number of shares as follows: (i) fractions equal to or greater than ½ shall be rounded to the next higher whole number; and (ii) fractions less than ½ shall be rounded to the next lower number. No consideration shall be provided in lieu of fractional shares of New ABH Common Stock that are rounded down.

(g) Disbursing Agent Shall Not Distribute Fractional Cents

Notwithstanding any other provision of the CCAA Plan, no payment of fractional cents will be made. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent.

(h) Delivery of Distributions

(i) Proven Claims.

Subject to Section 7.2 of the CCAA Plan, distributions to Holders of Proven Claims shall be made by the Disbursing Agent or the appropriate Servicer (i) at the addresses set forth on the Proofs of Claim filed by such Holders (or at the last known addresses of such Holders if no Proof of Claim is filed or if the Applicants or the Monitor has been notified in writing of a change of address), (ii) at the addresses set forth in any written notice of address change delivered to the Disbursing Agent after the date of any related Proof of Claim, and (iii) in the case of a Holder of an Affected Claim whose Affected Claim is governed by an agreement and administered by a Servicer, at the addresses contained in the official records of such Servicer.

(ii) Undeliverable Distributions.

If any distribution to a Holder of a Proven Claim is returned as undeliverable, no further distributions to such Holder of such Claim shall be made unless and until the Disbursing Agent or the appropriate Servicer is notified of then-current address of such Holder, at which time all missed distributions shall be made to such Holder without interest. Undeliverable distributions shall be returned to the Reorganized Debtors until such distributions are claimed. The Applicants shall make reasonable efforts to locate Holders of Proven Claims for which distributions were undeliverable. Notwithstanding the foregoing, all claims for undeliverable distributions must be made on or before the date that is 90 days after the Initial Distribution Date, the applicable Interim Distribution Date or the Final Distribution Date as the case may be, after which date all unclaimed property shall revert to the Reorganized Debtors free of any restrictions or claims thereon and the Claim of any Holder or successor to such Holder with respect to such property shall be discharged and forever barred.

(i) Withholding Taxes

In connection with the CCAA Plan, all distributions made hereunder by the Disbursing Agent shall be made net of all applicable Taxes. Notwithstanding any other provision of the CCAA Plan, each Affected Unsecured Creditor with a Proven Claim that is to receive a distribution pursuant to the CCAA Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any Governmental Entity (including income, withholding and other Tax obligations on account of such distribution), and no distribution shall be made to or on behalf of such Affected Unsecured Creditor pursuant to the CCAA Plan unless and until such Affected Unsecured Creditor has made arrangements satisfactory to the Disbursing Agent and the Applicants for the payment and satisfaction of such Tax obligations. The Disbursing Agent shall be authorized to take any and all actions as may be necessary or appropriate to comply with such withholding and reporting requirements. All amounts withheld on account of Taxes shall be treated for all purposes as having been paid to the Affected Unsecured Creditor in respect of which such withholding was made, provided such withheld amounts are remitted to the appropriate Governmental Entity.

(j) Multiple Affected Claims

Without limitation to the provisions of any Law prohibiting double recovery, subject to Section 4.4 of the CCAA Plan, for voting and distribution purposes, in respect of all Affected Creditors and their rights in respect of Affected Claims: (i) all guarantees of an Applicant of the payment or performance by another Applicant with respect to any Affected Claim will be recognized; (ii) each Affected Claim and all guarantees by an Applicant of such Affected Claim will be treated as multiple Affected Claims against the Applicants; and (iii) any joint obligation of any Applicant with another Applicant will be treated as two separate Affected Claims against the Applicants, provided, however, that the aggregate recovery on account of any Proven Claim or Allowed Claim (as defined under the U.S. Plan) from all sources, including distributions under the CCAA Plan, the U.S. Plan or a combination of both, regardless of whether on account of a theory of primary or secondary liability, by reason of guarantee, surety, indemnity, joint and several obligations or otherwise, shall not exceed (A) 100% of the underlying indebtedness, liability or obligation giving rise to such Claim or, (B) where the underlying indebtedness, liability or obligation giving rise to such Claim is denominated in the Original Currency, 100% of such underlying indebtedness, liability or obligation after conversion of the value of the distributions received in Canadian dollars back to the Original Currency at the Bank of Canada noon spot rate of exchange for exchanging Canadian dollars to the Original Currency on the date of applicable Initial Distribution Date, Interim Distribution Date or the Final Distribution Date.

(k) No Double Recovery on Allowed Cross-border Claims

Without limitation to the provisions of any Law prohibiting double recovery, for each Allowed Cross-border Claim, (i) there shall only be a single recovery on account of such Allowed Cross-border Claim under the CCAA Plan and the U.S. Plan, and (ii) the aggregate distribution which such Allowed Cross-border Claim shall receive, whether under the CCAA Plan or the U.S. Plan or a combination of both, shall not exceed the greatest distribution which such Allowed Cross-border Claim would be entitled to receive under the CCAA Plan or the U.S. Plan.

(l) Convenience Claims Against the Cross-border Debtors.

The threshold under Subsections 2.4(e)(i), 2.4(f)(i), 2.4(g)(i) and 2.4(h)(i) of the CCAA Plan (Cdn$6,073) and the Cross-border Convenience Claim threshold of the U.S. Plan (US$5,000) account for differences caused by the foreign exchange rate between the U.S. and Canadian dollars as of the Date of Filing. Only with respect to Cross-border Debtors, for purposes of determining whether a Claim is a Convenience Claim as defined in the U.S. Plan or a Cross-border Convenience Claim, (A) all eligible Claims will be valued in Canadian dollars using the Date of Filing Exchange Rate, (B) will be determined in reference to the dollar thresholds established for such treatment under the CCAA Plan (Cdn$6,073) and (C) Cash distributions on account of such Claims, if proven, will be made in Canadian dollars. A classification or valid election to participate as (x) a Convenience Claim as defined in the U.S. Plan or (y) a Cross-Border Convenience Claim as defined in the CCAA Plan will be binding for purposes of voting and distributions under both the CCAA Plan and the U.S. Plan.

(m) Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity, solidary or joint and several obligations or otherwise in respect of any Claim which is settled, compromised, released or otherwise dealt with under the CCAA Plan or the U.S. Plan or who has any right in respect of, or to be subrogated to, the rights of any Person in respect of a Claim which is compromised under the CCAA Plan or the U.S. Plan shall be entitled to any greater rights than the Affected Unsecured Creditor whose Claim is settled, compromised, released, or otherwise dealt with under the CCAA Plan or the U.S. Plan.

(n) Payment of Indenture Trustees Fees

The Applicants shall reimburse any Indenture Trustees for reasonable and necessary services performed by them (including reasonable attorneys' fees and documented out-of-pocket expenses) in connection with the CCAA Proceedings and related proceedings and the making of distributions under the CCAA Plan to Holders of Proven Claims, without the need for approval by the Court. To the extent that there are any disputes that the Applicants are unable to resolve with the Indenture Trustees, the Applicants shall report to the Court as to whether there are any unresolved disputes regarding the reasonableness of the Indenture Trustees' (and their attorneys') fees and expenses. Any such unresolved disputes may be submitted to the Court for resolution.

(o) Special Provisions Regarding Insured Claims

Any Insured Claim Creditor whose Insured Claim is a Proven Claim shall not have the benefit of any coverage, if any, available to the Applicants under any Insurance Contract in respect of such Insured Claim but shall be entitled to receive the distributions provided for in the CCAA Plan for the Affected Unsecured Creditor Class in which such Insured Claim Creditor belongs. Any Insured Claim Creditor who has filed a Proof of Claim in respect of any Insured Claim but delivers to the Monitor a withdrawal of such Proof of Claim on the earlier of (a) the date on which such Claim is finally determined for distribution purposes in accordance with the provisions of the CCAA Plan, the CCAA, the Claims Procedure Orders and any other applicable Orders, and (b) the Creditors' Meeting Date, shall be deemed not to have a Proven Claim but shall have an Excluded Claim as provided in "*The CCAA Plan –Description of the CCAA Plan – Restructuring*".

Required Approvals

The conditions to implementation of the CCAA Plan include a number of approvals, orders and consents that must be obtained. Some of the approvals are described below. If any of these approvals is not obtained, subject to the right of the Applicants to waive any condition, the CCAA Plan will not be implemented.

(a) Affected Unsecured Creditor Approval

The Applicants will seek approval of the CCAA Plan by the affirmative vote of the Required Majorities of the Affected Unsecured Creditors with Voting Claims in each Affected Unsecured Creditor Class, the whole subject to the No Vote Occurrence described in "*The CCAA Plan – Description of the CCAA Plan – Restructuring*". Any resolution, including the Resolution in respect of each of the Affected Unsecured Creditor Classes, to be voted on at any Creditors' Meeting in respect of each Affected Unsecured Creditor Class in respect of the CCAA Plan will be decided by the Required Majorities on a vote by ballot and any other matter submitted for a vote at any Creditors' Meeting shall be decided by a majority of votes cast on a vote by a show of hands, unless the Chair decides, in his sole and absolute discretion, to hold such vote by way of ballot, provided, however, that each vote of a 15.5% Senior Unsecured Notes Creditor by way of ballot or show of hands in respect of the ACCC Affected Unsecured Creditor Class shall be deemed to be a vote in respect of such 15.5% Senior Unsecured Notes Creditor's 15.5% Senior Unsecured Notes Claims comprised in each of the ACI Affected Unsecured Creditor Class, Saguenay Forest Products Affected Unsecured Creditor Class, ACNSI Affected Unsecured Creditor Class, Office Products Affected Unsecured Creditor Class, Recycling Affected Unsecured Creditor Class and 15.5% Guarantor Applicant Affected Unsecured Creditor Classes. The result of any vote will be binding on all Affected Unsecured Creditors in the relevant Affected Unsecured Creditor Class, whether or not any such Affected Unsecured Creditor is present and voting (in person or by proxy) at the Creditors' Meeting held in respect of the Affected Unsecured Creditor Class to which it belongs.

(b) No Shareholder Approval or Dissent Rights

Shareholder approval is not required for a reorganization under Section 191 of the CBCA. Section 191 also provides that a shareholder is not entitled to dissent rights in respect of reorganization thereunder.

(c) Court Approval

The CCAA Plan has been filed with the Court pursuant to the CCAA. The CCAA requires that the CCAA Plan be sanctioned by the Court following approval by the Affected Unsecured Creditors. The Sanction Hearing in respect of the Sanction Order, at which the Court's sanction of the CCAA Plan under the CCAA and Section 191 of the CBCA will be sought, is scheduled to take place at 10:00 a.m. on September 8, 2010 subject to the approval of the Affected Unsecured Creditors being obtained. Interested persons should consult their legal advisors with respect to the legal rights available to them in relation to the CCAA Plan and the Sanction Hearing. In the event that the Sanction Hearing is adjourned, postponed or otherwise rescheduled, only those Persons listed on the Applicants' service list published on the Monitor's Website are required to be served with notice of the adjourned, postponed or rescheduled date.

The authority and discretion of the Court is very broad under the CCAA. Counsel for the Applicants has advised that they will ask the Court to consider, among other things, the fairness of the terms and conditions of the CCAA Plan. The Court may approve the CCAA Plan as proposed or as amended and subject to such terms and conditions, if any, as the Court thinks fit. If the Sanction Order is granted, any interested person may appeal the provisions of the Sanction Order, with leave of the Court or the Québec Court of Appeal, within 21 days of the date on which the Sanction Order is granted.

Conditions Precedent to Implementation of CCAA Plan

The implementation of the CCAA Plan by the Applicants is subject to the following conditions precedent which, except for the conditions set out in (a), (b) and (m) below and as otherwise would be in violation of applicable Laws, may be waived in writing as provided in Section 8.6 of the CCAA Plan:

(a) the approval of the CCAA Plan by the Required Majorities shall have been obtained;

(b) the Sanction Order sanctioning the CCAA Plan, in form and substance satisfactory to the Applicants and the Monitor, shall have been made and entered and the operation and effect of the Sanction Order shall not have been stayed, reversed or amended, and shall among other things:

   (i) declare that: (i) the CCAA Plan has been approved by the Required Majorities of Affected Unsecured Creditors in conformity with the CCAA; (ii) the Applicants have complied with the provisions of the CCAA and the Orders made in the CCAA Proceedings in all respects; (iii) the Court is satisfied that each Applicant has neither done nor purported to do anything that is not authorized by the CCAA; and (iv) the CCAA Plan and the transactions contemplated thereby are fair and reasonable, and in the best interests of the Applicants, the Affected Unsecured Creditors and the other stakeholders of the Applicants (having considered, among other things, the composition of the vote, what creditors would receive in liquidation or sale as compared to the CCAA Plan, alternatives to the CCAA Plan or liquidation or sale, whether any oppression exists or has occurred, the treatment of shareholders and the public interest);

   (ii) order that the CCAA Plan (including the settlements, compromises, arrangements, reorganizations, corporate transactions and releases set out therein and the transactions, including the Restructuring Transactions and reorganization contemplated thereby) is sanctioned and approved pursuant to Section 6 of the CCAA and, as at the Implementation Date, will be effective and will enure to the benefit of and be binding upon the Applicants, the Partnerships, the Affected Unsecured Creditors and all other Persons stipulated in the CCAA Plan or in the Sanction Order, if any;

   (iii) declare that the Restructuring Transactions shall be effected, subject to Section 6.2 of the CCAA Plan, in the manner and the sequence as set forth in the Restructuring Transactions Notice;

   (iv) declare that all Proven Claims determined in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol, the Cross-border Voting Protocol and the Creditors' Meeting Order are final and binding on the Applicants and all Affected Unsecured Creditors;

   (v) declare that, subject to the performance by the Applicants of their obligations under the CCAA Plan and in accordance with Section 8.1 of the CCAA Plan, all contracts, leases, TSFMAs and outstanding and unused volumes of cutting rights (backlog) thereunder, agreements and other arrangements to which the Applicants or the Partnerships are a party and that have not been terminated or repudiated pursuant to the Initial Order will be and remain in full force and effect, unamended, as at the Implementation Date, and no Person who is a party to any such contract, lease, agreement or other arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of dilution or other remedy) or make any demand under or in respect of any such contract, lease, agreement or other arrangement and no automatic termination will have any validity or effect, by reason of:

- any event that occurred on or prior to the Implementation Date and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults, events of default, or termination events arising as a result of the insolvency of the Applicants and the Partnerships);
- the insolvency of the Applicants, the Partnerships or any affiliate thereof or the fact that the Applicants, the Partnerships or any affiliate thereof sought or obtained relief under the CCAA, the CBCA or the Bankruptcy Code;
- any of the terms of the CCAA Plan, the U.S. Plan or any action contemplated therein, including the Restructuring Transactions Notice;
- any settlements, compromises or arrangements effected pursuant to the CCAA Plan or the U.S. Plan or any action taken or transaction effected pursuant to the CCAA Plan or the U.S. Plan; or
- any change in the control of the Applicants, the Partnerships or any affiliate thereof arising from the implementation of the CCAA Plan (including the Restructuring Transactions Notice) or the U.S. Plan and declare that any consent required under any such contracts, leases, TSFMAs and outstanding and unused volumes of cutting rights (backlog) thereunder, agreements or other arrangements in respect of any such change of control be deemed satisfied;

(vi) declare that the Stay of Proceedings under the Initial Order continues until the Implementation Date;

(vii) approve all conduct of the Chief Restructuring Officer and the Monitor in relation to the Applicants, the Partnerships, and the U.S. Debtors and bar all Claims against them arising from or relating to the services provided to the Applicants, the Partnerships and the U.S. Debtors prior to the date of the Sanction Order, save and except any liability or obligation arising from a breach of its duties to act honestly, in good faith and with due diligence;

(viii) confirm the releases contemplated by Subsections 6.10(a), 6.10(b), 6.10(c) and 6.10(d) of the CCAA Plan;

(ix) enjoin the commencement or prosecution, whether directly, derivatively or otherwise, or any demands, claims, actions, causes of action, counterclaims, suits, or any indebtedness, liability, obligation or cause of action released and discharged pursuant to the CCAA Plan;

(x) order that the BI DIP Lenders Charge will be released and discharged as of the Implementation Date upon receipt of acknowledgements from each of the BI DIP Lenders and the BI DIP Agent of payment in full of all BI DIP Claims; and

(xi) order that all CCAA Charges, other than the BI DIP Lenders Charge, will be released and discharged as of the Implementation Date or earlier upon receipt of acknowledgements of payment in respect of the Claims secured thereby or adequate alternate arrangements satisfactory to the parties in whose favour such charges operate;

(c) any other Order deemed necessary or desirable by ABH from the Bankruptcy Court, including an Order approving the CCAA Plan in the Chapter 15 Proceedings, or any other jurisdiction shall have been obtained;

(d) all applicable appeal periods in respect of the Sanction Order and any other Order made by the Bankruptcy Court pursuant to Subsection 8.5(c) of the CCAA Plan shall have expired and any appeals therefrom shall have been finally disposed of by the applicable appellate tribunal;

(e) the Exit Loan Facilities and all related agreements and other documents shall have become effective subject only to the implementation of the CCAA Plan;

(f) the Backstop Commitment Agreement in connection with the Rights Offering shall not have been terminated;

(g) the following agreements, or any subsequent amendments, shall have been executed and ratified by all Unions, in form and substance satisfactory to the Applicants:

    (i) Memorandum of Agreement between ABH and the Communications, Energy and Paperworkers Union of Canada dated March 7, 2010; and

    (ii) Memorandum of Agreement between ABH and the *Syndicats affiliés à la FTPF/CSN des usines de Clermont, Alma, Kénogami et Laurentide* dated March 13, 2010;

(h) the following regulations shall have been adopted in form and substance satisfactory to the Applicants:

    (i) a special funding relief regulation pursuant to the *Supplemental Pension Plans Act* (Québec) for the benefit of ABH and its subsidiaries with respect to the funding of their defined benefit registered pension plans; and

    (ii) a special funding relief regulation pursuant to the *Pension Benefits Act* (Ontario) for the benefit of ABH and its subsidiaries with respect to the funding of their defined benefit registered pension plans;

(i) all relevant Persons shall have executed, delivered and filed all documents and other instruments that, in the opinion of the Applicants, acting reasonably, are necessary to implement the provisions of the CCAA Plan and/or the Sanction Order;

(j) subject to Subsections 8.5(k) and 8.5(l) of the CCAA Plan, all applicable approvals, certificates, rulings, permits, consents, notices and orders of, and all applicable submissions and filings with any or all Governmental Entities and stock exchanges having jurisdiction for the completion of the transactions contemplated by the CCAA Plan (including the transactions contemplated in Section 8.5 of the CCAA Plan as conditions to the implementation of the CCAA Plan) shall have been obtained or made, as the case may be, by the Applicants, in each case to the extent deemed necessary or advisable by the Applicants in form and substance satisfactory to the Applicants;

(k) the shares of New ABH Common Stock shall be generally freely tradable in Canada under applicable Canadian securities Laws, except for restrictions on resale or transfer imposed by the Canadian securities authorities or the TSX on "control distributions" (as such term is defined in National Instrument 45-102 – *Resale of Securities*) and provided that in respect of the first trade of such securities, such trade is effected with no unusual effort being made to prepare the market or to create a demand for the securities that are subject to the trade, no extraordinary commission or consideration paid to a person or company in respect of the trade and if the selling securityholder is an insider or officer of Reorganized ABH, the selling securityholder has no reasonable grounds to believe that Reorganized ABH is in default of Canadian securities Laws;

(l) all applicable approvals or consents from Governmental Entities in relation to the issuance or the assignment of TSFMAs and outstanding and unused volumes of cutting rights (backlog) thereunder or tenure agreements, as the case may be, shall have been obtained by the Applicants or the Partnerships or waived by such Governmental Entity on terms satisfactory to the Applicants and the Partnerships or deemed obtained or waived pursuant to the Sanction Order; and

(m) all conditions precedent to the implementation of the U.S. Plan but for the implementation of the CCAA Plan shall have been satisfied or waived.

CCAA Plan Releases

Releases by the Applicants and Partnerships

As at the Final Restructuring Transactions Time and subject to the provisions of Subsection 5.1(2) of the CCAA, each Applicant and each Partnership will be deemed to forever release, waive and discharge any and all Obligations (other than the rights of the Applicants and the Partnerships to enforce the CCAA Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered hereunder or pursuant hereto (including with respect to the Restructuring Transactions and the contracts, instruments, releases, indentures and other agreements or documents delivered under the Rights Offering or pursuant thereto)) that are based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the U.S. Debtors, the subject matter of, or the transactions or events giving rise to any Claims, the CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the Rights Offering, the CCAA Proceedings, the Chapter 15 Proceedings and the Chapter 11 Cases that could be asserted by or on behalf of the Applicants or the Partnerships against: (i) present or former directors, officers and employees of the Applicants and the Partnerships, including the Chief Restructuring Officer and any director, officer or employee of any Applicant or Partnership sitting on a committee constituted in connection with the CCAA Proceedings at the request of such Applicant or Partnership, in each case in their respective capacities as of the Implementation Date, (ii) the agents, legal counsel, financial advisors and other professionals of the Applicants and the Partnerships, in each case in their respective capacities as of the Implementation Date, (iii) the Monitor and its legal counsel, (iv) the BI DIP Lenders and the BI DIP Agent, each in their capacities as such, and each of their respective counsel, (v) Citibank, N.A., Barclays Bank PLC and Barclays Capital Inc., in their respective capacities under the Securitization Facility, (vi) the members of, and legal counsel and financial advisors to, the Ad Hoc Unsecured Noteholders Committee, as well as Avenue Capital Management II, L.P. and its managed funds, in their individual capacities, (vii) the members of, and legal counsel and financial advisors to, the Unsecured Creditors' Committee, (viii) the Indenture Trustees, (ix) the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, (x) the Backstop Parties, each in their capacities as such, and their respective legal counsel and financial advisors, and (xi) where applicable, with respect to each of the above named Persons, such Person's present and former advisors, principals, employees, officers, directors, representatives, financial advisors, legal counsel, accountants, investment bankers, consultants, agents and other representatives or professionals (including the partners of any such professional firm).

Releases by Others

As at the Final Restructuring Transactions Time, (i) the Applicants, (ii) the Partnerships, (iii) the subsidiaries of Reorganized ABH, (iv) the Monitor, (v) the Chief Restructuring Officer, (vi) the BI DIP Lenders and the BI DIP Agent, each in their capacity as such, (vii) Citibank, N.A., Barclays Bank PLC and Barclays Capital Inc., in their respective capacities under the Securitization Facility, (viii) the members of the Ad Hoc Unsecured Noteholders Committee, as well as Avenue Capital Management II, L.P. and its managed funds, in their individual capacities, (ix) the members of the Unsecured Creditors' Committee, (x) the Indenture Trustees, (xi) the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, (xii) the Backstop Parties, each in their capacities as such, and their respective legal counsel and financial advisors, and (xiii) in each case, their respective present and former advisors, principals, employees, officers, directors, representatives, financial advisors, legal counsel, accountants, investment bankers, consultants, agents and other representatives or professionals (including the partners of any such professional firm) (collectively, the "**Released Parties**") will be released and discharged from any and all Obligations that any Person (including the Holders, the Applicants and the U.S. Debtors, as applicable, and any Person who may claim contribution or indemnification against or from them) may be entitled to assert (including any and all Claims in respect of potential statutory liabilities of the Released Parties for which the Initial Order authorized the granting of a CCAA Charge or Claims for which Released Parties who are directors are by law liable in their capacity as directors for the payment of such Claims, but other than the rights of Persons to enforce the CCAA Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered hereunder or pursuant hereto (including with respect to the Restructuring Transactions and the contracts, instruments, releases, indentures and other agreements or documents delivered under the Rights Offering or pursuant thereto)) based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the U.S. Debtors, the subject matter of, or the transactions or events giving rise to, any Claims, the CCAA Charges, the CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the Rights Offering, the CCAA Proceedings, the Chapter 15 Proceedings and the Chapter 11 Cases, provided, however, that nothing herein will release or discharge any such Released Party (A) if the Released Party is judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed fraud or willful misconduct or to have been grossly negligent, (B) in the case of directors or officers, in respect of any claim referred to in Subsection 5.1(2) of the CCAA and, (C) in the case of any Released Party which is an obligor in respect of any Excluded Employee Claim or Post-filing Claim, from or in respect of such Excluded Employee Claim or Post-filing Claim.

Releases by the Bridgewater Entities

As at the Final Restructuring Transactions Time, each and every one of the Bridgewater Entities will be deemed to forever release, waive and discharge any and all Obligations against the Released Parties that the Bridgewater Entities may be entitled to assert (including any and all Claims in respect of potential statutory liabilities of the Released Parties for which the Initial Order authorized the granting of a CCAA Charge or Claims for which Released Parties who are directors are by law liable in their capacity as directors for the payment of such Claims, but other than the rights of the Bridgewater Entities to enforce the CCAA Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered hereunder or pursuant hereto) based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the Bridgewater Entities, the business and affairs of the U.S. Debtors, the subject matter of, or the transactions or events giving rise to, any Claims, the CCAA Charges, the CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the CCAA Proceedings, the Chapter 15 Proceedings and the Chapter 11 Cases, provided, however, that nothing herein will release or discharge any such Released Party (A) if the Released Party is judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed fraud or willful misconduct, or to have been grossly negligent or, (B) in the case of directors or officers, in respect of any claim referred to in Subsection 5.1(2) of the CCAA.

Releases by the 15.5% Senior Unsecured Notes Indenture Trustee

As at the Final Restructuring Transactions Time, each of the 15.5% Senior Unsecured Notes Creditors will be deemed to forever release, waive and discharge any and all Obligations (including any remedies to challenge transfers which may fall within the scope of any bulk sales, fraudulent conveyance or similar statute) against the Bridgewater Entities that the 15.5% Senior Unsecured Notes Creditors may be entitled to assert (other than the rights of the 15.5% Senior Unsecured Notes Indenture Trustee and the 15.5% Senior Unsecured Notes Creditors to enforce the CCAA Plan, including the Restructuring Transactions and the contracts, instruments, releases, indentures and other agreements or documents delivered hereunder or pursuant hereto) based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Bridgewater Entities, the subject matter of, or the transactions or events giving rise to, any Claims of any nature whatsoever with the 15.5% Senior Unsecured Notes Creditors that could be asserted by or on behalf of the 15.5% Senior Unsecured Notes Creditors against the Bridgewater Entities, provided, however, that nothing herein will release or discharge such Bridgewater Entities if the Bridgewater Entities are judged by the expressed terms of a judgment rendered on a final determination on the merits to have committed fraud or willful misconduct or to have been grossly negligent.

Injunction Related to Releases

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to the CCAA Plan.

Waiver of Defaults

From and after the Final Restructuring Transactions Time, on condition that in cases where applicable Claims that are required to be paid in full under the CCAA Plan (including Proven Secured Claims) are paid in full on the Implementation Date, all Persons shall be deemed to have waived any and all defaults of the Applicants and the Partnerships (except for defaults under the securities, contracts, instruments, releases and other documents delivered under the CCAA Plan or entered into in connection herewith or pursuant hereto) then existing or previously committed by the Applicants or the Partnerships or caused by the Applicants or the Partnerships, directly or indirectly, or non-compliance with any covenant, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Applicants or the Partnerships arising from the filing by the Applicants under the CCAA or the transactions contemplated by the CCAA Plan, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

Cancellation, Assignment, Transfer or Other Alienation of Canadian Unsecured Notes, Canadian Secured Notes, ACCC Term Loan Documents, BCFPI Secured Bank Documents and Agreements

As at the Final Restructuring Transactions Time, except as otherwise specifically provided for in the CCAA Plan or the U.S. Plan, or as contemplated to be effected as part of the Restructuring Transactions and, on condition that in cases where applicable Claims that are required to be paid in full under the CCAA Plan (including Proven Secured Claims) are paid in full on the Implementation Date: (a) the Canadian Unsecured Notes, the Canadian Secured Notes, the ACCC Term Loan Documents, the BCFPI Secured Bank Documents and any other note, bond, debenture, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Applicants, shall be cancelled or assigned, transferred or otherwise alienated, as the case may be, in accordance with the Restructuring Transactions, (b) the obligations of, and Affected Claims or Secured Claims against, the Applicants and the Partnerships under, relating, or pertaining to any agreements, indentures, certificates of designation, by-laws, or certificate or articles of incorporation or similar documents governing the Canadian Unsecured Notes, the Canadian Secured Notes, the ACCC Term Loan Documents, the BCFPI Secured Bank Documents and any other note, bond, debenture, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Applicants or the Partnerships, as the case may be, shall be released and discharged as between a Holder of an Affected Claim or Secured Claims and the Applicants or the Partnerships, (c) any agreement (including the Canadian Unsecured Notes Indentures) that governs the rights of a Holder of a Claim and that is administered by a Servicer shall continue in effect solely for purposes of (i) allowing such Servicer to make the distributions on account of such Affected Claims under the CCAA Plan and (ii) permitting such Servicer to maintain any rights or Liens it may have for reasonable fees, costs, expenses, indemnities or other amounts under such indenture or other agreement provided, however, that the immediately preceding provision shall not affect the discharge of Claims against the Applicants or the Partnerships under the CCAA Plan or the U.S. Plan, or, subject to Section 7.14 of the CCAA Plan, result in any expense or liability to the Applicants or the Partnerships, (d) the Applicants and the Partnerships shall not have any obligations to any Servicer (or to any Disbursing Agent replacing such Servicer, other than the Monitor) for any fees, costs, or expenses incurred on and after the Final Restructuring Transactions Time except as expressly provided in Section 7.14 of the CCAA Plan, and (e) nothing herein shall preclude any Servicer (or any Disbursing Agent replacing such Servicer) from being paid or reimbursed for reasonable fees, costs, and expenses from the distributions being made by such Servicer (or any Disbursing Agent replacing such Servicer) pursuant to such agreement in accordance with the provisions set forth therein, all without application to or approval by the Court.

Cancellation of Liens

Except as otherwise provided in the CCAA Plan and except in cases where the CCAA Plan requires that Holders of the applicable Proven Secured Claims be paid in full on the Implementation Date, on condition that such Proven Secured Claims are paid in full on the Implementation Date, as at the Final Restructuring Transactions Time, in consideration for the distributions to be made on the Implementation Date pursuant to the CCAA Plan, all Liens, and rights related to any Claim, including those existing under the Canadian Secured Notes, the ACCC Term Loan Documents and the BCFPI Secured Bank Documents, the Securitization Facility, the BI DIP Facility Documents and the ULC DIP Facility shall be terminated, null and void and of no effect.

Treatment of Executory Contracts, Unexpired Leases and other Agreements

Except as otherwise provided in the CCAA Plan, as of the Final Restructuring Transactions Time, each Reorganized Debtor shall be deemed to have ratified (i) each executory contract, unexpired lease and other agreement to which it is a party or which has been transferred or assigned to it, including in the manner and the sequence as set forth in the Restructuring Transactions Notice, and (ii) each obligation of the Applicants and the Partnerships to indemnify and reimburse directors, officers, managers or employees, whether pursuant to the constating documents of any Applicant or Partnership or specific agreement, and shall assume and perform all obligations of the Applicants and the Partnerships thereunder (other than in respect of Claims arising from such contract or lease which will be Affected Claims and, therefore, settled, compromised, released or otherwise dealt with pursuant to the CCAA Plan), unless in the case of any executory contract, lease or other agreement, such executory contract, lease or other agreement: (A) was previously repudiated or terminated by the Applicants; (B) previously expired or terminated pursuant to its own terms; or (C) was amended as evidenced by a written agreement with the Applicants or the Partnerships and in such case the amended executory contract, lease or other agreement shall be deemed ratified.

Confirmation of CCAA Plan

Provided that the CCAA Plan is approved by the Required Majorities:

(a) the Applicants shall seek the Sanction Order for the approval of the CCAA Plan; and

(b) subject to the Sanction Order being made in form and substance acceptable to the Applicants and the satisfaction of the conditions to the implementation of the CCAA Plan set forth in Section 8.5 of the CCAA Plan, the CCAA Plan shall be implemented by the Applicants and shall be binding upon each of the Applicants and all Persons referred to in Section 2.1 of the CCAA Plan.

Paramountcy

From and after the Implementation Date, any conflict between (i) the CCAA Plan, and (ii) the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan or other agreement, commitment letter, by-laws of the Applicants or the Partnerships, lease or other arrangement or undertaking, written or oral (including any and all amendments or supplements thereto) existing with, between or among one or more of the Affected Unsecured Creditors and the Applicants or the Partnerships as at the Implementation Date will be deemed to be governed by the provisions of the CCAA Plan and the Sanction Order, which shall take precedence and priority. All Affected Unsecured Creditors shall be deemed irrevocably for all purposes to consent to all transactions contemplated in and by the CCAA Plan. For greater certainty, this paragraph shall not apply to the Backstop Commitment Agreement or the Backstop Parties in their capacities as such.

Modifications to the CCAA Plan

Prior to or at Creditors' Meetings

The Applicants, in consultation with the Monitor, reserve the right to file any modification of, or amendment, variation or supplement to, the CCAA Plan, in accordance with the terms of the Backstop Commitment Agreement, including by the Restructuring Transactions Notice, any CCAA Plan Supplement or plans of reorganization, compromise or arrangement (or any one or more thereof) (each a "**CCAA Plan Modification**") prior to the Creditors' Meeting Date or at or before any Creditors' Meeting, in which case any such CCAA Plan Modification shall, for all purposes, be and be deemed to form part of and be incorporated into the CCAA Plan. The Applicants shall give notice of any such CCAA Plan Modification at the Creditors' Meeting in respect of each Affected Unsecured Creditor Class prior to the vote being taken to approve the CCAA Plan. The Applicants may give notice of any such CCAA Plan Modification at or before any Creditors' Meeting by notice which shall be sufficient if, in the case of notice at any Creditors' Meeting, given to those Affected Unsecured Creditors present at such meeting in person or by proxy. The Monitor shall post on the Monitor's Website, as soon as possible, any such CCAA Plan Modification, with notice of such posting forthwith provided to the Service List.

After Creditors' Meetings

After each Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Applicants, in consultation with the Monitor, may at any time and from time to time modify, amend, vary or supplement the CCAA Plan, in accordance with the terms of the Backstop Commitment Agreement, without the need for obtaining an Order or providing notice to the Affected Unsecured Creditors if the Monitor determines that such modification, amendment, variation or supplement would not be materially prejudicial to the interests of the Affected Unsecured Creditors under the CCAA Plan or the Sanction Order and is necessary in order to give effect to the substance of the CCAA Plan or the Sanction Order. The Monitor shall post on the Monitor's Website, as soon as possible, any such modification, amendment, variation or supplement to the CCAA Plan, with notice of such posting forthwith provided to the Service List.

Failure to Implement the CCAA Plan

The Applicants are insolvent and unable to meet their debt and other obligations as they become due. If the CCAA Plan is not approved by the Required Majorities, subject to the terms of the current Stay of Proceedings under the CCAA, creditors of the Applicants would have the right to take steps to exercise their respective rights and remedies against the assets and property of the Applicants.

G. ARRANGEMENT WITH UNIONS

A significant number of the Company's Collective Bargaining Agreements with respect to its paper operations in Eastern Canada expired at the end of April 2009. At the beginning of March 2010, the Company reached an agreement in principle with the CEP and the CSN, subject to the resolution of ongoing multi-party pension deficit discussions, as further described below. Ratification of these agreements has been completed in all locations.

On April 29, 2010, a coalition of U.S. labor unions led by the United Steelworkers International ratified a new master bargaining agreement covering mills in Calhoun, Catawba, Coosa Pines and Augusta. The individual mill Collective Bargaining Agreements adopted in connection therewith will extend through April 27, 2014 in the case of Calhoun and Catawba and April 27, 2015 in the case of Coosa Pines and Augusta. As of March 31, 2010, the Company employed approximately 11,900 people of whom approximately 8,800 were represented by bargaining units. The Company unionized employees are represented predominantly by the CEP in Canada and predominantly by the United Steelworkers International in the United States.

In May and June 2010, the Company reached agreements with sawmills and woodland workers in the Mauricie region represented by CSN and with most of the Unions representing trades and office employees in its four Ontario paper mills. The Company is still negotiating the renewal of four Collective Bargaining Agreements with other Unions also representing trades and office employees in these mills.

In June 2010, the Company reached an agreement for the renewal of the Collective Bargaining Agreements of four sawmills affiliated to the CEP (the "**CEP Union Agreement**"). The CEP Union Agreement has since been serving as a model agreement for three other sawmills located in St-Felicien (CSD), Normandin (CSN) and Lake St-Jean and Comtois (CEP). Two agreements are in the process of being ratified.

Finally, the Company started discussions at the end of June 2010 with the CEP for the reopening and/or renewal of eight woodland unions representing 800 employees working in the Lake St-Jean region.

H. PENSION PLAN ARRANGEMENTS

The Company sponsors several registered pension plans for its employees and retirees in Canada. These plans include 15 defined benefit plans registered in Québec or Ontario which have a material aggregate solvency deficit for which funding relief has been sought. Employees will cease to accrue credited service in these defined benefit plans effective December 31, 2010, and will be enrolled in target benefit pension plans (unionized employees) or defined contribution pension plans (non-unionized employees) from January 1, 2011.

It is a condition precedent to the implementation of the CCAA Plan that funding relief regulations be adopted in form and substance satisfactory to the Applicants: (i) pursuant to the *Supplemental Pension Plans Act* (Québec); and (ii) pursuant to the *Pension Benefits Act* (Ontario) for the benefit of ABH and its subsidiaries with respect to the funding of their respective defined benefit pension plans registered in each such Province.

Specifically, such regulations shall be required to provide, among other things, that the Company's aggregate annual contribution in respect of the solvency deficits of such plans for each year from 2011 through 2020 will be limited to the following: (i) a $50 million basic contribution; (ii) beginning in 2013, if the plans' aggregate solvency ratio falls below a specified target for a year, an additional contribution equal to 15% of free cash flow up to $15 million per year; and (iii) beginning in 2016, if the amount payable for benefits in a year exceeds a specified threshold and the plans' aggregate solvency ratio is more than 2% below the target for that year, a supplementary contribution equal to such excess (such supplementary contribution being capped at $25 million on the first occurrence only of such an excess). Should a plan move into surplus during the 2011-2020 period, it will cease to be subject to this funding relief. After 2020, the funding rules in place at the time will apply to any remaining deficit.

The Company has reached agreement in principle with pension authorities in Québec on the above mentioned financial parameters for relaxed funding requirements for the defined benefit plan solvency deficits, but this agreement remains subject to completion of certain discussions with the government of Québec. Discussions are also on-going with the government of Ontario. There can be no guarantee that such discussions will be successful.

The Company is of the view that its ability to obtain the commercial exit financing it requires will also depend on the satisfaction of this condition precedent without which the Company's viability remains uncertain.

Implementation of the funding relief is subject to reaching agreement on the detailed parameters thereof and to adoption by the Québec and Ontario governments of the requisite funding relief regulations. The Company expects that it will be required to send detailed information packages on the proposed funding relief to plan beneficiaries and unions.

VI. EXIT LOAN FACILITIES

It is a condition precedent to the CCAA Plan becoming effective that the Exit Loan Facilities, being the ABL Exit Financing Facility and the Term Loan Exit Financing Facility, be established.

The Reorganized Debtors expect to establish the Exit Loan Facilities in an aggregate amount of up to $1.3 billion. The Applicants will draw on the Exit Loan Facilities in amounts which, together with such other Cash as is then available to the Applicants, will be sufficient to make all Cash distributions to be made under the Plans.

The allocation and terms and provisions of the Exit Loan Facilities (including interest rates, maturity dates, amortization schedules and other significant terms) have not been negotiated with any prospective lenders and will be subject to such negotiations, which will be influenced materially by conditions in the capital markets and other factors that may affect the availability of such financing. Such allocation, terms and provisions are likely not to have been determined definitively prior to the expiration of the Rights Offering or the Voting Record Date. As a result, the allocation and terms and provisions of the Exit Loan Facilities may be significantly different from those described in or contemplated by this Circular and the Financial Projections, and the Company's capital structure may differ significantly from that described in or contemplated by this Circular and the Financial Projections. Furthermore, the other terms and provisions of the Exit Loan Facilities may cause the timing and magnitude of the Company's interest expense and other debt service obligations to be different from those described in or contemplated by this Circular and the Financial Projections and the Company may be subject to significant additional covenants or restrictions as a result of negotiations with its prospective lenders or because of market conditions. For a further discussion on certain of the risks associated with the Exit Loan Facilities, see "*Risk Factors*".

VII. RIGHTS OFFERING

The Plans provide that the Company may conduct a Rights Offering, the proceeds of which will be used to fund distributions under the Plans and ongoing business operations after emergence. Pursuant to the Rights Offering, Eligible Holders will receive Subscription Rights, which are not transferable separately from the Claim to which they relate, entitling such Eligible Holders to purchase their proportionate share of up to $500 million of Rights Offering Notes issued by Reorganized ABH on the Implementation Date. As contemplated in the Backstop Commitment Agreement and the Plans, and as described below, the amount of the Rights Offering Notes may be increased by up to $110 million of Escrowed Notes which could be issued by Reorganized ABH under the U.S. Plan in respect of unresolved Claims against certain U.S. Debtors as of the Implementation Date.

The terms of the Rights Offering, including the procedures through which an Eligible Holder participates in the Rights Offering (a "**Rights Offering Participant**"), are set forth in the Backstop Commitment Agreement that the Company has entered into with the Backstop Parties and are summarized below. All summaries of and references to the Backstop Commitment Agreement in this Circular are qualified in their entirety by references to the text of the Backstop Commitment Agreement.

The terms of the Backstop Commitment Agreement and the Rights Offering Notes are subject to amendment, from time to time, in accordance with the terms of the Backstop Commitment Agreement.

IF YOU ARE AN ELIGIBLE HOLDER, YOU WILL RECEIVE A SUBSCRIPTION FORM WITH SPECIFIC INSTRUCTIONS FOR PARTICIPATING IN THE RIGHTS OFFERING. YOU MUST

FOLLOW SUCH INSTRUCTIONS TO PARTICIPATE IN THE RIGHTS OFFERING AND SUBSCRIBE FOR YOUR PROPORTIONATE SHARE OF RIGHTS OFFERING NOTES. YOU SHOULD ALSO CONSULT THE SECTION "*RISK FACTORS*" FOR A DISCUSSION OF CERTAIN RISKS ASSOCIATED WITH THE RIGHTS OFFERING AND THE RIGHTS OFFERING NOTES.

Withdrawal or Reduction of Rights Offering

The Company may choose, in its sole discretion, to reduce the total amount of the Rights Offering, or cancel it entirely, at any time until the Implementation Date, in accordance with the Backstop Commitment Agreement.

The number of Rights Offering Notes for which any Rights Offering Participant may subscribe in the Rights Offering is subject to adjustment under certain circumstances, depending on, among other things, the Company's claims resolution process and the Section 1145 Cutback. Exercise of the Section 1145 Cutback with respect to some or all Claims will result in the cancellation of some or all the Rights Offering Participant's Subscription Rights. Any Rights Offering Notes excluded from the Rights Offering as a result of the Section 1145 Cutback will be sold to the Backstop Parties for the subscription price under the Backstop Commitment Agreement as Unsubscribed Notes in the Rights Offering. Any determination by the Company that the Section 1145 Cutback is necessary shall be made by the Company as soon as practicable following the Rights Offering Expiration Date but without prior notice to the Eligible Holder.

Subscription Period

The subscription period will begin on August 9, 2010, or as soon thereafter as reasonably practicable, when the Subscription Agent or the Monitor distributes subscription forms by mail to each Eligible Holder, together with appropriate instructions for the proper completion, due execution, and timely delivery of the subscription form and the payment of the purchase price (the "**Subscription Forms**"). The subscription period will expire at 4:00 p.m. (Eastern Time) on September 10, 2010, (the "**Rights Offering Expiration Date**"), or such later date as the Company may specify.

The Subscription Agent or the Monitor will also distribute Subscription Forms to DTC, CDS and intermediaries for onward communication to Non-registered Noteholders. Non-registered Noteholders will receive a Subscription Form or such other document or electronic communication that intermediaries may customarily use for the purpose of obtaining instructions with respect to a subscription on account of a beneficial holder of securities. Non-registered Noteholders must send their Subscription Form to their intermediary or otherwise follow such intermediary's directions with respect to exercising their Subscription Rights with sufficient time for the intermediary to effect the subscription through DTC, CDS or otherwise by the Rights Offering Expiration Date.

Entitlement to Subscription Rights

Each Eligible Holder shall receive Subscription Rights to purchase Rights Offering Notes at a purchase price of $1.00 per Rights Offering Note. Subscription Rights will initially be allocated to Eligible Holders as of June 30, 2010 (the "**First Rights Offering Record Date**") based on an Eligible Holder's proportionate share of New ABH Common Stock to be distributed under the Plans on account of such Eligible Holder's Claim. The allocation will be determined as follows:

(a) first, the Company will determine the New ABH Common Stock allocable to each Applicant under the CCAA Plan and each U.S. Debtor under the U.S. Plan; and

(b) second, the Company will determine the expected proportionate share of such New ABH Common Stock expected to be distributed under the Plans to each Eligible Holder on account of its Claim against each Applicant and U.S. Debtor as of the First Rights Offering Record Date based on the amount of such Claim allowed for voting purposes under the Plans.

The amount of Subscription Rights offered to Eligible Holders per $1.00 of eligible Claims of such holder shall be referred to herein as the "**Initial Rights Ratio**".

For Eligible Holders holding Claims as of the First Rights Offering Record Date against U.S. Debtors in respect of which certain Rights Offering Notes will be Escrowed Notes, a Subscription Right will include an election to purchase additional Rights Offering Notes up to an applicable amount (the "**Oversubscription Amount**"). See "*Rights Offering – Unresolved Claimholders under the U.S. Plan and Escrowed Notes*".

Subscription Procedures

Eligible Holders will receive a Subscription Form which identifies the Initial Rights Ratio and their share of Rights Offering Notes as of the First Rights Offering Record Date. Eligible Holders who disagree with their share of the Rights Offering Notes as set forth on their Subscription Form must contact the Monitor, or any Claims Officer appointed by the Court for that purpose, and follow the procedures established by the Monitor or such Claims Officer to resolve such disagreement. See "*Increase or Reduction of Eligible Claim*" below.

To exercise Subscription Rights, each Rights Offering Participant must (i) return a duly completed Subscription Form to the Subscription Agent; (ii) pay, or arrange for payment to the Escrow Agent, in cash, by wire transfer in immediately available funds in valid US currency, an amount equal to the full purchase price for the number of Rights Offering Notes elected to be purchased by such Rights Offering Participant and (iii) otherwise comply with the procedures for subscription as set forth in the applicable Subscription Form. Such completed Subscription Form and the full purchase price must be received by the Subscription Agent and the Escrow Agent on or before the Rights Offering Expiration Date. Payment of the full purchase price can be made only through wire transfer to the Escrow Agent in accordance with the instructions included with the Subscription Form.

If either (i) the duly completed Subscription Form, or (ii) the wire transfer for the full amount of the purchase price for the Subscription Rights that a Rights Offering Participant chooses to exercise is not received by the Escrow Agent on or prior to the Rights Offering Expiration Date, then the Rights Offering Participant is deemed to have forever and irrevocably relinquished and waived its right to participate in the Rights Offering.

The Company and the Subscription Agent must be able to match each Rights Offering Participant's Subscription Forms with the corresponding purchase price for the Rights Offering Notes. As such, the Company reserves the right to cancel the Subscription Rights of a Rights Offering Participant if such participant, among other things, submits a purchase price for Rights Offering Notes without reference to the coded Claim provided in the Subscription Form such that the Company and the Subscription Agent are unable to reasonably reconcile the Subscription Form with the purchase price, or reasonably determine that reconciling such discrepancy or omission would result in an undue administrative burden.

Non-registered Noteholders wishing to exercise Subscription Rights must send their Subscription Form to their intermediary or otherwise follow such intermediary's directions with respect to exercising their Subscription Rights with sufficient time for the intermediary to effect the subscription through DTC's Automated Subscription Offer Program or CDSX (the clearing and settlement system utilized by CDS and its participants) by the Rights Offering Expiration Date. No separate Rights Offering Expiration Date exists for Non-registered Noteholders who exercise their Subscription Rights through CDS or DTC. If Subscription Rights are exercised other than pursuant to the Subscription Forms, each Non-registered Noteholder exercising Subscription Rights will be deemed to have made the same certifications and representations regarding the transferability of the Subscription Rights as provided in the Subscription Forms. See "No Transfer; Detachment Restrictions; No Revocation".

The Escrow Agent will hold the payments it receives for the exercise of Subscription Rights in an escrow account pending the issuance of the Rights Offering Notes or the release of the Escrowed Notes from escrow. The funds held in the escrow account will be invested by the Escrow Agent in short-term treasury securities and other similar instruments in order to preserve principal and realize a nominal amount of interest. Upon the issuance of the Rights Offering Notes, the funds held in the escrow account corresponding to the subscription payments, including accrued interest thereon, with respect to the Rights Offering Notes will be released to the

Company. In the event that payments must, for any reason, be returned to the Rights Offering Participant, such payments shall be returned, with accrued interest thereon, to the applicable Rights Offering Participant.

Increase or Reduction of Eligible Claim

In accordance with the terms of the Backstop Commitment Agreement, if during the period after the First Rights Offering Record Date but on or before August 17, 2010 (or such later date as agreed among the Company, the Monitor and the Creditors Committee appointed in respect of the U.S. Plan) (the "**Second Rights Offering Record Date**"), pursuant to an order of the Court or pursuant to a Claims modification accepted or revised by the Monitor, or a decision of a Claims Officer appointed by the Court:

(a) an Eligible Holder's eligible Claim is increased, the Subscription Agent or the Monitor shall deliver to such Eligible Holder a supplemental subscription form (the "**Subsequent Subscription Form**"), in form and substance substantially similar to the Subscription Form, permitting such participant to exercise a number of incremental Subscription Rights as determined by applying the Initial Rights Ratio to the revised amount of eligible Claim held by such Eligible Holder, as reduced by the number of Subscription Rights previously offered to such Eligible Holder; or

(b) an Eligible Holder's eligible Claim is reduced, then the number of Subscription Rights to which the Eligible Holder is entitled shall be reduced accordingly by applying the Initial Rights Ratio to the reduced eligible Claim and withdrawing any Subscription Rights previously issued to such Eligible Holder in excess of the resulting amount (the "**Rights Entitlement Reduction**").

The Company is also authorized, but not required, to refrain from modifying an Eligible Holder's Subscription Rights in the event that the amount of Rights Offering Notes that such Eligible Holder could otherwise subscribe for would be increased or decreased by $10,000 or less, or as otherwise determined by the Company.

Additional Subscription Rights awarded to an Eligible Holder as of the Second Rights Offering Record Date must be exercised during the period which begins on or about August 27, 2010, or as soon thereafter as reasonably practicable, and expires at 4:00 p.m. (Eastern Time) on the Rights Offering Expiration Date or such other date as the Company may specify. Such Subscription Rights shall be exercised in the manner set out above under "*Subscription Procedures*".

In accordance with the terms of the Backstop Commitment Agreement, the Rights Offering Notes associated with Subscription Rights withdrawn under a Rights Entitlement Reduction shall become Unsubscribed Notes for the purpose of the Backstop Commitment Agreement. The Subscription Agent will provide a written notice to the Rights Offering Participant setting out the revised number of Subscription Rights allocated to such Rights Offering Participant and will return any funds paid on account of the withdrawn Subscription Rights previously exercised by the Rights Offering Participant, with interest accrued thereon, as soon as practicable following the Rights Offering Expiration Date.

Adjustment to Number of Rights Offering Notes to be Purchased by Rights Offering Participant

If the sum of all Subscription Rights timely exercised by all Rights Offering Participants exceeds the amount of the Rights Offering, as such amount may be reduced by the Company at any time until the Implementation Date as a result of a Section 1145 Cutback or otherwise, the aggregate principal amount of Rights Offering Notes to be purchased by each Rights Offering Participant shall, in accordance with the terms of the Backstop Commitment Agreement, be adjusted to be the product of (i) the principal amount of Rights Offering Notes that such Rights Offering Participant had agreed to subscribe by completing its Subscription Form and (ii) the ratio of the amount of the Rights Offering divided by the sum of all Subscription Rights exercised.

As soon as reasonably practicable after the Rights Offering Expiration Date, the Company shall deliver to each Rights Offering Participant a written notice specifying the portion of the Subscription Rights that was validly and effectively exercised by such Rights Offering participant, taking into account any adjustment as described above or any reduction required by a Section 1145 Cutback or otherwise.

As soon as practicable following the Rights Offering Expiration Date, if applicable, the Subscription Agent shall return to each Rights Offering Participant an amount equal to the difference between the purchase price of the Subscription Rights to which the Rights Offering Participant is entitled and the purchase price previously received by the Subscription Agent from such Rights Offering Participant.

Unresolved Claimholders under the U.S. Plan and Escrowed Notes

Under the U.S. Plan, although Subscription Rights will initially be offered to Eligible Holders based on the amount of a creditor's unsecured Claims, *as allowed for voting purposes* as of the First Rights Offering Record Date, the amount of Rights Offering Notes actually issued to Eligible Holders who subscribe for such Rights Offering Notes (whether on or after the Implementation Date) will depend on the *allowed* amount of a Rights Offering Participant's unsecured Claims. Therefore, under the U.S. Plan, the amount of Rights Offering Notes which any Rights Offering Participant may ultimately be authorized to purchase through the Rights Offering may differ from the number of Subscription Rights initially offered to such Rights Offering Participant.

As of the Implementation Date, certain unsecured Claims against U.S. Debtors (each, an "**Unresolved Claim**") will not be *allowed* and therefore will be subject to subsequent resolution and allowance, in whole or in part, or disallowances in accordance with the U.S. Plan. A Holder of such Claims (an "**Unresolved Claimholder**") may not know at the time it exercises its Subscription Rights whether it will be an Unresolved Claimholder or whether its Claim will be *allowed* as of the Implementation Date. Pursuant to the Backstop Commitment Agreement and for the benefit of Unresolved Claimholders, the Company will deposit into an escrow account with the indenture trustee for the Rights Offering Notes the amount of Rights Offering Notes subscribed for by such Unresolved Claimholders (the "**Escrowed Notes**"). The subscription price for such Escrowed Notes will also be deposited into an escrow account. Prior to the Implementation Date, the Company will determine and identify, in its reasonable discretion, the Claims that are expected to be Unresolved Claims as of the Implementation Date and such determination shall be binding on all Eligible Holders for matters relating to the Rights Offering. The aggregate principal amount of Escrowed Notes to be deposited into escrow will not exceed $110 million.

Until an Unresolved Claimholder's Claim is allowed, interest and all other payments and distributions allocable to the Escrowed Notes of such Unresolved Claimholder will be paid by the Company into the escrow account. To the extent an Unresolved Claimholder's Claim is *allowed*, the applicable principal amount of Escrowed Notes will be released to the applicable Unresolved Claimholder and the subscription price will be released to the Company. The Escrowed Notes corresponding to any portion of a Claim that is disallowed will be released to the Company for cancellation and the related subscription price will be returned to the relevant Claimant with interest earned on the subscription price, but not interest on the Escrowed Notes or other distribution accrued on the Escrowed Notes. Unless otherwise ordered by the Bankruptcy Court, upon maturity of the Rights Offering Notes, any Escrowed Notes remaining in the escrow account at such time will be cancelled and all interest and other amounts accrued thereon will be returned to the Company and any remaining subscription price (together with any accrued interest thereon) held in respect of Escrowed Notes will be returned to the applicable Unresolved Claimholders.

To the extent more than $20 million of subscription price for Escrowed Notes is released to the Company during the first six months after the Implementation Date, such amounts must be used to mandatorily redeem the Rights Offering Notes on a pro rata basis at a price equal to 105% of the principal amount, plus accrued and unpaid interest.

Oversubscription Amounts will be allocated pursuant to the terms of the Backstop Commitment Agreement assuming a maximum number of Escrowed Notes will be escrowed on the Implementation Date. Escrowed Notes shall not include Rights Offering Notes purchasable on account of any Oversubscription Amount and any Oversubscription Amount allocated to an Unresolved Claimholder is subject to cancellation.

Additional information for Unresolved Claimholders relating to Escrowed Notes and Oversubscription Amounts under the U.S. Plan is provided in the Backstop Commitment Agreement and the Disclosure Statement. **ELIGIBLE HOLDERS WITH CLAIMS SUBJECT TO THE CCAA PLAN ARE NOT SUBJECT TO THE ESCROW PROCEDURES AND RELATED OFFER TO OVERSUBSCRIBE WHICH ARE PART OF THE RIGHTS OFFERING UNDER THE U.S. PLAN. RIGHTS OFFERING NOTES SUBSCRIBED BY SUCH ELIGIBLE HOLDERS UNDER THE CCAA PLAN WILL BE DISTRIBUTED ON, OR AS SOON AS REASONABLY PRACTICABLE AFTER, THE IMPLEMENTATION DATE AS SET OUT IN THIS CIRCULAR.**

No Transfer; Detachment Restrictions; No Revocation

The Subscription Rights are not transferable and the benefit of the Subscription Rights is not separably transferable from the underlying Claim. If the underlying Claim on account of which the Eligible Holder is receiving the Subscription Rights is transferred, the benefits of any exercised Subscription Rights is not detachable from such underlying Claim and must be transferred as well. Any direct or indirect transfer, assignment, sale, or conveyance, hypothecation, license, lease, partition, pledge or grant of a security interest in the Subscription Rights or detachment, or attempted transfer or detachment or monetization (including, without limitation, in a derivatives transaction) or other transaction having a similar effect, whereby a Claim is detached from the Subscription Right or Rights Offering Notes, will be null and void and the Company will not treat any purported transferee of the Subscription Rights separate from the associated Claims as the holder of any Subscription Rights. The Subscription Forms require the Rights Offering Participant to certify, among other things, that such Rights Offering participant (i) recognizes and understands that the rights to subscribe to Rights Offering Notes are not transferable and the benefit of such rights are not separable from the associated Claim, and (ii) has not entered into, and shall not enter into, prior to the Implementation Date, any transaction involving a direct or indirect transfer of rights, Claims or a Rights Offering Notes other than through the sale of a Claim together with the benefit of the rights related thereto. In the case of a Non-registered Noteholder, if Subscription Rights are exercised other than pursuant to the Subscription Forms, each Non-registered Noteholder exercising Subscription Rights will be deemed to have made the same certifications and representations regarding the transferability of the Subscription Rights as provided in the Subscription Forms.

Once a Rights Offering Participant has exercised any of its Subscription Rights by properly executing and delivering a Subscription Form to the Company or other Person specified in the Subscription Form, such exercise will be binding on any transferee and may only be revoked, rescinded or annulled in the sole discretion of the Company. Only the recipient of a Subsequent Subscription Form may complete and submit a Subsequent Subscription Form in order to exercise Subscription Rights and once an Eligible Holder who has received a Subsequent Subscription Form has exercised any of its Subscription Rights, such exercise will be binding on any transferee and may only be revoked, rescinded or annulled in the sole discretion of the Company.

Undersubscription; Backstop Commitment Agreement

To guarantee that the Rights Offering raises the funds the Company requires, the Company has entered into the Backstop Commitment Agreement pursuant to which the Backstop Parties have agreed to, among other things, purchase, on the Implementation Date, (i) any Rights Offering Notes that remain unsubscribed for by the Rights Offering Participants, plus (ii) the amount of Rights Offering Notes equal to the amount of the Escrowed Notes, less (iii) the amount of Rights Offering Notes equal to the Oversubscription Amount exercised by Eligible Holders after taking into account any reduction of the Oversubscription Amount. In exchange for this commitment, the Company has agreed to pay the Backstop Parties an amount equal to the greater of $15 million and 6% of the total amount of the Rights Offering on the Implementation Date of the Plans (the "**Backstop Commitment Payment**"). Fifty percent of the aggregate Backstop Commitment Payment shall be payable in cash and fifty percent of the aggregate Backstop Commitment Payment shall be payable in New ABH Common Stock, in accordance with the terms of the Backstop Commitment Agreement; provided, however, that the Backstop Parties may also elect to receive the full amount of the Backstop Commitment Payment in New ABH Common Stock. The Company has also agreed to reimburse certain expenses of the Backstop Parties incurred in connection with the transaction.

Each Backstop Party will purchase, severally and not jointly, its pre-determined percentage of Unsubscribed Notes. Reorganized ABH shall pay to each such Backstop Party the Upfront Payment in respect of all such Rights Offering Notes purchased by the Backstop Party.

Under the terms of the Backstop Commitment Agreement, the consent of the Backstop Parties is required with respect to certain events, including, without limitation, certain changes to the Plans. The obligations of the Backstop Parties are subject to the satisfaction or waiver of specified closing conditions, including, without limitation, entry of the Sanction Order in form and substance reasonably satisfactory to the Backstop Parties, the satisfaction or waiver of the conditions to effectiveness of the Plans and the consummation of the Exit Loan Facilities.

The Backstop Commitment Agreement is terminable if the Rights Offering is not consummated by an outside date of the later of (i) October 15, 2010 or (ii) such other date as set forth in the Backstop Commitment Agreement, and upon certain other events. If the Backstop Commitment Agreement terminates, then, upon certain termination events, the Backstop Parties will be entitled to receive a termination payment, the amount of which depends on the timing of the termination, but which is, in any event, no more than the Backstop Commitment Payment.

Distribution of Rights Offering Notes

On, or as soon as reasonably practicable after, the Implementation Date, Reorganized ABH or other applicable Disbursing Agent shall distribute the Rights Offering Notes in a fashion consistent with the distribution provisions of the CCAA Plan. Eligible Holders holding their Claims through CDS or DTC will receive the Rights Offering Notes in the form of beneficial interests in one or more global notes. Eligible Holders holding their Claims otherwise than through DTC or CDS will receive their Rights Offering Notes in the form of one or more certificated notes and such certificates will be distributed to the person identified in the Claims register maintained by the Monitor as holding the Claims on the record date for such distribution. Reorganized ABH shall also concurrently cause an amount in cash equal to $0.04 per $1.00 of Rights Offering Notes purchased to be paid back to such Rights Offering Participant from the proceeds of the sale of the Rights Offering Notes (the "**Upfront Payment**").

Rights Offering Notes

The Rights Offering Notes shall substantially have the terms set out in Appendix I – "*Terms of the Rights Offering Notes*".

The definitive terms of the Rights Offering Notes will be posted on the Monitor's Website on or before the CCAA Supplement Filing Date.

VIII. REORGANIZED ABH

Reorganized ABH

As part of the implementation of the CCAA Plan, Reorganized ABH will emerge as the parent holding company under which the Reorganized Debtors will be held directly or indirectly. Reorganized ABH will also be the parent holding company under which the reorganized U.S. Debtors will be held directly or indirectly.

Corporate Governance

As of the Implementation Date, the directors and officers of each Applicant that is not a Reorganized Debtor will be removed from office and terminated in their capacities as such.

A search committee (the "**Search Committee**"), consisting of three members of the Unsecured Creditors' Committee, three members of the Ad Hoc Unsecured Noteholders Committee, and one representative of the Company has been formed to select the Board of Reorganized ABH and shall be responsible for selecting the Board, determining the number of directors (including the number of independent directors, if any) comprising the Board, and defining the terms and other qualifications for such directors. The Search Committee has hired an independent search firm in connection with that process.

The names of the directors and officers of Reorganized ABH as of the Implementation Date will be posted on the Monitor's Website and will also be announced by way of press release concurrently with such posting.

Management and Director Compensation and Incentive Plans and Programs

The CCAA Plan provides that on or as soon as practicable after the Implementation Date, Reorganized ABH shall adopt and implement (as applicable) the management incentive plans as substantially described herein and in the form set forth in a CCAA Plan Supplement and the management and directors plans, programs and agreements set forth in another CCAA Plan Supplement shall be terminated or repudiated under the CCAA Plan or the U.S. Plan and, to the extend applicable, deemed rejected pursuant to Section 365 of the Bankruptcy Code. The Affected Unsecured Creditors shall be deemed to have approved all such management incentive plans, including the LTIP and the STIPs.

Long-Term Equity Incentive Plan

On or as soon as practicable after the Implementation Date, Reorganized ABH shall adopt and implement the 2010 Long-Term Equity Incentive Plan (the "**LTIP**"). Reorganized ABH shall reserve 8.5% on a fully diluted basis of the shares of New ABH Common Stock for issuance under the LTIP. Up to 4% of the shares of New ABH Common Stock may be granted on the Implementation Date of which 75% will be granted as options the strike price of which shall be the fair market value of the New ABH Common Stock and 25% will be granted as restricted stock units. For purposes of this paragraph, the fair market value of the New ABH Common Stock shall mean the average of the closing trading price of the New ABH Common Stock during the 30 day period commencing with the first day on which the New ABH Common Stock is listed on the New York Stock Exchange. Pursuant to the LTIP, the Reorganized Debtors shall deliver certain stock options and restricted stock unit grants to certain directors, members of management and other executive employees on and after the Implementation Date, in such amounts and pursuant to such terms as set forth in the LTIP. The form and substance of the LTIP will be set forth in a CCAA Plan Supplement.

Short-Term Incentive Plans

On or as soon as practicable after the Implementation Date, Reorganized ABH shall adopt and implement the 2010 Short-Term Incentive Plan (the "**2010 STIP**") and the 2011 Short-Term Incentive Plan (the "**2011 STIP**" and together with the 2010 STIP, the "**STIPs**") pursuant to which participants shall be eligible for a target incentive award expressed as a percentage of the individual's base salary as such salary shall be reduced prior to the Implementation Date (the "**Reduced Base Salary**"). Approximately 550 management employees will be eligible for participation in the STIPs, including the Company's top six senior executives. Senior executives will be eligible for a target incentive award of 50% of base salary under the 2010 STIP and 100% of base salary under the 2011 STIP. The target incentive payments for remaining participants under the STIPs will be at a lower percentage level of payment. The STIPs shall be entirely performance-based, and actual earned incentive awards will vary depending on the Company's and Reorganized Debtors' ability to achieve the established targets. Under the 2010 STIP, the Company will base performance targets on the Company's actual EBITDA (net of any STIP payment) against its forecast for the third and fourth quarters of 2010. The Board will determine the Company's performance targets under the 2011 STIP. The material terms of the STIPs will be set forth in a CCAA Plan Supplement.

Restructuring Recognition Award

On and effective as of the Implementation Date, the Company shall adopt and implement a performance driven restructuring recognition plan designed to reward actions and initiatives contributing to a successful and timely reorganization of the Company, by providing selected members of management with one-time cash emergence awards (a "**Restructuring Recognition Award**") in an aggregate value of $6 million. Approximately

50 executives, senior managers and managers, who are critical to the Company's performance and successful reorganization efforts, shall be selected to receive a Restructuring Recognition Award equal from 30% to 100% of the recipient's Reduced Base Salary to be paid in Cash at emergence upon approval by the Board of Reorganized ABH. Restructuring Recognition Award recipients shall be required to repay 1/12th of their award for each month during the one-year period following the Implementation Date they were not employed by Reorganized ABH or a Reorganized Debtor, if they either voluntarily resign their employment or are discharged by their employer for "cause".

Executive Severance Policies

On and after the Implementation Date, Reorganized ABH will assume, as amended, executive severance policies for U.S. and Canadian executives, respectively. Severance benefits may be conditioned upon the executive's compliance with certain restrictive covenants, including non-compete restrictions. The material terms of the executive severance policies shall be set forth in a CCAA Plan Supplement.

Employee Compensation and Benefit Programs

As of the Implementation Date, all of the Applicants' existing pension plans, welfare benefit plans, severance policies and other employee-related plans and programs, including the Applicants' Canadian registered defined benefit and defined contribution plans, set forth in a CCAA Plan Supplement, shall remain in effect, as amended, and the plans and programs set forth in another CCAA Plan Supplement, including all of the Applicants' existing non-qualified and non-registered plans, (such terminated non-qualified and non-registered plans and programs referred to herein as the "**Terminated Retirement Plans**" and all such terminated or rejected plans and programs collectively referred to herein as the "**Terminated Employee Plans**") shall be terminated or repudiated under the CCAA Plan and the U.S. Plan and, to the extent applicable, deemed rejected pursuant to Section 365 of the Bankruptcy Code. After the Implementation Date, the Reorganized Debtors shall have the sole authority to terminate, amend or implement Canadian registered plans, welfare benefit plans and other plans and programs for employees in accordance with the terms of such plans and applicable Law.

Effective as of the Implementation Date, the Applicants and Reorganized Debtors shall establish non-qualified and non-registered plans, agreements or arrangements (the "**New Plans**") pursuant to which, among other things, (a) all employees and beneficiaries in active status as of the Implementation Date who were entitled to benefits under any Terminated Retirement Plans as of the Implementation Date (the "**Eligible Employees**") shall be eligible to receive benefits under the New Plans substantially similar to those benefits available to such employee under the Terminated Retirement Plans, to the extent thereof, provided, however, that: (i) all defined benefits available under the New Plans will be frozen as of the Implementation Date; and (ii) the Eligible Employee must waive and forfeit any and all Claims the Eligible Employee has or may have in the CCAA Proceedings and the Chapter 11 Cases in respect of the Terminated Retirement Plans; and (b) all retirees, beneficiaries and deferred vested participants, as of the Implementation Date, under the Terminated Retirement Plans (the "**Eligible Retirees**") shall be eligible to receive benefits after the Implementation Date substantially similar to those benefits available to such Eligible Retiree under the Terminated Retirement Plans to the extent thereof, without retroactive adjustments; provided, however, (i) that the benefits available to each such Eligible Retiree under the New Plans shall be 10% to 35% lower, depending on the applicable Terminated Retirement Plan, than the benefits available to the Eligible Retiree under the Terminated Retirement Plans at the time of termination thereof, (ii) the benefits available to each such Eligible Retiree under the New Plans shall be subject to an annual per participant cap on benefits in the amounts ranging from $40,000 to $50,000 (in the aggregate) in the case of defined benefit Terminated Retirement Plans and corresponding caps in the case of defined contribution Terminated Retirement Plans, depending on the applicable Terminated Retirement Plans, this annual cap being further reduced by any secured pension benefits received or to be received in respect of the Terminated Retirement Plans; and (iii) that the Eligible Retiree must waive and forfeit any and all claim such Eligible Retiree has or may have in the CCAA Proceedings and the Chapter 11 Cases in respect of the Terminated Retirement Plans. The material terms of the New Plans shall be set forth in a CCAA Plan Supplement.

The Company sponsors a number of separate non-qualified and non-registered plans. Section 6.9 of the U.S. Plan allows Eligible Employees and Eligible Retirees to either (a) reinstate their benefits under the New Plans as modified and waive any Claim on account of the Terminated Retirement Plans (such Claim, a "**SERP Claim**"), or (b) retain any SERP Claim and to the extent such SERP Claim is "Allowed", receive any distribution to which it is entitled under the U.S. Plan. Eligible Employees who retain their SERP Claims may be eligible for benefits under the New Plans, but without receiving any credit under the New Plans for any benefits accrued under the Terminated Retirement Plans.

The Applicants believe that providing Eligible Employees and Eligible Retirees with the option to reinstate benefits under the New Plans in exchange for a waiver of their SERP Claims is in the best interests of their respective estates. Reinstating benefits allows the Reorganized Debtors to make payments over time as they come due post-emergence and reduces cash payments at emergence to the extent any SERP Claims are waived but would otherwise have been entitled to administrative or priority treatment. The Applicants estimate that approximately at least $100 million of SERP Claims (U.S. Dollar Equivalent) may exist against the Applicants, of which approximately $70 million are attributable to Eligible Retirees and approximately $30 million are attributable to Eligible Employees. The CCAA Plan provides that unsecured recoveries for Claims against individual Applicants liable under the Terminated Retirement Plans range from approximately 3% to 48%, depending on the Applicant or U.S. Debtor. However, recoveries on SERP Claims may be higher depending on the applicable Terminated Retirement Plan under which the SERP Claims arise and the number of applicants liable for such Claims. In addition, the Applicants estimate that approximately $5 million may be entitled to administrative or priority treatment under sections 503 or 507 of the Bankruptcy Code if the reinstatement option is not chosen. The Applicants estimate that the cost of the New Plans to the Reorganized Debtors, assuming a present value discount rate of 6.75% and further assuming that all Eligible Employees and Eligible Retirees elect reinstatement, totals approximately $75 million. Notably, such cost is incurred over time as benefits come due.

The Applicants', the U.S. Debtors' or Reorganized Debtors' performance of any employment agreement, plan or policy that is not a Terminated Employee Plan will not entitle any Person to any benefit or alleged entitlement under any policy, program, or plan that has expired or been terminated before the Implementation Date, or restore, reinstate, or revive any such benefit or alleged entitlement under any such policy, program or plan. Nothing in the CCAA Plan and the U.S. Plan shall limit, diminish, or otherwise alter the Reorganized Debtors' defenses, claims, causes of action, or other rights with respect to any such contracts, agreements, policies, programs, and plans. Notwithstanding anything to the contrary contained herein, on and after the Implementation Date, all retiree benefits (as that term is defined in Section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable Law.

IX. RISK FACTORS

IN ADDITION TO THE OTHER INFORMATION INCLUDED IN THIS CIRCULAR, AFFECTED UNSECURED CREDITORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE CCAA PLAN AND PRIOR TO DETERMINING WHETHER TO SUBSCRIBE FOR NEW RIGHTS OFFERING NOTES AS PART OF THE RIGHTS OFFERING. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS THE ONLY RISKS ASSOCIATED WITH THE CCAA PLAN OR ITS IMPLEMENTATION, THE COMPANY, ABH, REORGANIZED ABH, THE APPLICANTS, THE PARTNERSHIPS, THE REORGANIZED DEBTORS OR THE RIGHTS OFFERING IN CONNECTION THEREWITH.

Risks Relating to the CCAA Plan and its Implementation

Consummation of the CCAA Plan is subject to Affected Unsecured Creditors' acceptance and Court approval

The Applicants have operated their business and managed their assets under the supervision of the Court since the beginning of the CCAA Proceedings. Before it can be consummated, the CCAA Plan must have been approved by the Required Majorities and sanctioned, after notice and a hearing on any objection, by the Court in form and substance satisfactory to the Applicants. The consummation of the CCAA Plan is also subject to the

Bankruptcy Court's confirmation of the U.S. Plan, which that court will grant, after notice and a hearing, only if all the statutory requirements for confirmation have been met, including the acceptance by the required vote of affected creditors. For more information on the plan voting, sanctioning and confirmation, see "*Creditors' Meetings and Voting Instructions*" and "*The CCAA Plan*".

There can be no assurance that the CCAA Plan will be approved by the Required Majorities, and that even if approved, the Court will sanction the CCAA Plan. Furthermore, the U.S. Plan is subject to a similar process in the Chapter 11 Cases and there can no assurance that the affected creditors will approve the U.S. Plan and that, even if so approved, the Bankruptcy Court will confirm the U.S. Plan. The failure of any of these conditions will delay or prevent the consummation of the CCAA Plan.

The Implementation of the CCAA Plan is subject to a number of other significant conditions

The occurrence of the Implementation Date is subject to certain conditions precedent as described in the CCAA Plan, including, among others, all conditions precedent to the implementation of the U.S. Plan having been satisfied or waived, the effectiveness of the Exit Loan Facilities, the Backstop Commitment Agreement not having been terminated, the receipt or filing or all applicable approvals or applications with applicable Government Entities, certain agreements with Unions having been executed and ratified and regulations for funding relief in respect of certain of the Company's pension plans in Ontario and Québec shall have been adopted to the satisfaction of the Applicants. Failure to meet any of these conditions could result in the CCAA Plan not being consummated or the Sanction Order being vacated.

If the CCAA Plan is not consummated, any settlement, compromise or release embodied in the CCAA Plan (including the fixing or limiting to an amount certain any Claim), the assumption or rejection of executory contracts or unexpired leases affected by the CCAA Plan, and any document or agreement executed pursuant to the CCAA Plan, shall be null and void.

If any of the conditions to consummation are not satisfied or an alternative plan is not approved, the Applicants may be forced to liquidate

If any of the conditions precedent as described in the CCAA Plan, including Court sanction, Bankruptcy Court confirmation and the satisfaction of the implementation conditions, are not satisfied and the CCAA Plan is not consummated, or an alternative plan is not approved, there can be no assurance that the CCAA Proceedings and the Chapter 11 Cases will continue, or that an alternative plan of reorganization and compromise, if any, would be on comparable terms for the Affected Unsecured Creditors. The most likely alternative to a continuation of the CCAA Proceedings and the Chapter 11 Cases, which itself could be protracted, is liquidation. For more information on the potential risks involved in a protracted reorganization, see "*Undue delay in confirmation may significantly disrupt the operations of the Company*" below. In the event of the Applicants' liquidation, there is a substantial risk that there would be a limited recovery for the Affected Unsecured Creditors. For additional information, see Appendix F – "*Liquidation Analysis*" to this Circular for a hypothetical liquidation analysis of the CCAA Applicants.

The actual amount of Proven Claims may differ from the estimated Affected Claims and adversely affect the percentage recovery of Affected Claims

The estimated Claims set forth in this Circular are based on various assumptions, and the actual allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual allowed amounts of Claims may vary from the estimated Claims contained in this Circular. Such differences may materially and adversely affect, among other things: the percentage recoveries to holders of Proven Claims under the CCAA Plan; a Rights Offering Participant's Initial Rights Ratio under the Rights Offering; the Applicants' ability to consummate the CCAA Plan; the Company's ability to realize the Financial Projections; and the Company's need to raise additional debt or equity financing.

The CCAA Proceedings and the Chapter 11 Cases may adversely affect the Company's operations going forward

The fact that the Company has been subject to the CCAA Proceedings and the Chapter 11 Cases may adversely affect the Company's operations going forward, including its ability to negotiate favorable terms from suppliers, hedging counterparties and others and to attract and retain customers. The failure to obtain such favorable terms and retain customers could adversely affect the Company's profitability and financial condition and performance.

Undue delay in confirmation may significantly disrupt the operations of the Company

Although the CCAA Plan and the U.S. Plan are designed to minimize the length of the CCAA Proceedings and the Chapter 11 Cases, it is not possible to predict the amount of time the Company may spend in the CCAA Proceedings and the Chapter 11 Cases or to provide any assurance as to whether or not the Plans will be confirmed or sanctioned, as further described above. The continuation of the CCAA Proceedings or the Chapter 11 Cases, particularly if the CCAA Plan or the U.S. Plan are not approved or confirmed in the time frame currently contemplated, could materially and adversely affect the Company's operations and relationships with its customers, vendors, service providers, employees, regulators and partners. Also, transactions outside the ordinary course of business are subject to the prior approval of the Court and/or the Bankruptcy Court, which may limit the Company's ability to respond timely to certain events or take advantage of certain opportunities. In addition, if confirmation and consummation of the CCAA Plan do not occur expeditiously, the CCAA Proceedings and the Chapter 11 Cases could result in, among other things, increased costs, professional fees, and similar expenses. Prolonged CCAA Proceedings or Chapter 11 Cases may also make it more difficult to retain and attract management and other key personnel, and would require senior management to continue to spend a significant amount of time and effort dealing with the Company's financial reorganization instead of focusing on the operation of the Company's businesses.

The Company may not achieve the financial performance projected in the CCAA Plan

The Financial Projections attached as Appendix G – "*Financial Projections*" to this Circular are the projection of future performance of the Company operations on a consolidated basis through fiscal year 2014, after giving effect to the CCAA Plan and do not purport to represent what the Company's actual financial position will be upon emergence from the CCAA Proceedings and Chapter 11 Cases or represent what the fair value of the Company's assets and liabilities will be at the Implementation Date. These Financial Projections are based on numerous estimates of values and assumptions including the timing, confirmation and consummation of the CCAA Plan and the U.S. Plan in accordance with their respective terms, the expected terms of the Exit Loan Facilities, the anticipated future performance of the Company, industry performance, general business and economic conditions and other matters, many of which are beyond the control of the Company and some or all of which may not materialize. These estimates and assumptions are based on management's judgment based on facts available and determinations made at the time the Financial Projections were prepared, and may turn out to have been incorrect over time, which could have a material effect on the Company's ability to meet the Financial Projections. It is also not possible to predict with certainty that the actions taken in connection with the restructuring based on the estimates and assumptions will result in an improved financial and operating condition that ensures the long-term viability of the enterprise.

In addition, unanticipated events and circumstances occurring subsequent to the date hereto may affect the actual financial results of the Company's operations and its ability to realize the Financial Projections. Among other things, see "*Risk Factors – Risks Relating to the Company's Financial Results and Condition*" and "*Risk Factors – Risks Relating to the Company's Business*".

Except as otherwise specifically and expressly stated herein, this Circular does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Circular. The Applicants do not intend to update the Financial Projections; thus, the Financial Projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Financial Projections.

Certain liabilities will not be fully extinguished as a result of the sanction of the CCAA Plan by the Court

While a significant amount of the Applicants' current liabilities will be discharged upon exit from the CCAA Proceedings, a number of obligations may remain in effect following implementation of the CCAA Plan. Various agreements and liabilities will remain in place, such as certain employee benefit and pension obligations, potential environmental liabilities related to sites in operation or formerly operated by the Company and other contracts that, even if modified during the CCAA Proceedings and the Chapter 11 Cases , will still subject the Applicants to substantial obligations and liabilities.

Risks Relating to the Company's Financial Results and Condition

The Company will require significant financing in order to emerge from creditor protection and thereafter

At or prior to the Implementation Date, the Company expects to raise up to $1.3 billion in Exit Loan Facilities. The establishment of the Exit Loan Facilities, including the ABL Exit Financing Facility and the Term Loan Exit Financing Facility and the Rights Offering, is a condition to consummation of the CCAA Plan. There can be no assurance at this time that this financing will be available, or that it will be available on terms that are favorable to the Company, in which case the Company's emergence from creditor protection could be delayed indefinitely or the Company may be forced to accept unfavorable terms that could affect its ability to succeed in the future. As described above under "*Undue delay in confirmation may significantly disrupt the operations of the Company*", such a delay could have important consequences for the extent of the recovery, if any, available for Affected Unsecured Creditors and the Company's ability to meet the Financial Projections.

The allocation and terms and provisions of the Exit Loan Facilities (including interest rates, maturity dates, amortization schedules and other significant terms) have not been negotiated with any prospective lenders and will be subject to such negotiations, which will be influenced materially by conditions in the capital markets and other factors that may affect the availability of such financing. Such allocation, terms and provisions are likely not to have been determined definitively prior to the expiration of the Rights Offering or the Voting Record Date. As a result, the allocation and terms and provisions of the Exit Loan Facilities may be significantly different from those described in or contemplated by this Circular and the Financial Projections, and the Company's capital structure may differ significantly from that described in or contemplated by this Circular and the Financial Projections. Furthermore, the other terms and provisions of the Exit Loan Facilities may cause the timing and magnitude of the Company's interest expense and other debt service obligations to be different from those described in or contemplated by this Circular and the Financial Projections, and the Company may be subject to significant additional covenants or restrictions as a result of negotiations with its prospective lenders or because of market conditions.

The Company cannot provide any assurance that it will be able to obtain financing in the future if and when required, or that it will be able to obtain financing on favorable terms. The Company's profitability and ability to generate cash flow will likely depend upon its ability to successfully implement its business strategy and meet or exceed the results forecasted in the Financial Projections, but the Company cannot ensure that it will be able to accomplish these results if it does not have the appropriate financing to do so.

The Company expects that its future sources of financing, including the Exit Loan Facilities, will likely include covenants and other provisions that will restrict the Company's ability to engage in certain financing transactions and operating activities, as discussed below in "*Covenant restrictions under Reorganized ABH's indebtedness may limit its ability to operate its business*".

The Company's degree of leverage upon emergence may limit its financial and operating activities

The Company's substantial indebtedness upon emergence from the CCAA Proceedings and the Chapter 11 Cases could adversely affect its financial health and limit its operations. The Company's historical capital requirements have been considerable, and its future capital requirements could vary significantly and may be affected by general economic conditions, currency exchange rates, industry trends, performance, interest rates and many other factors that are not within its control. The Company's substantial level of indebtedness has, in the past, had important consequences, including: limiting its ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of its growth strategy, or other purposes; limiting its ability to use operating cash flow in other areas of its business because they must dedicate a substantial portion of these funds to service the debt; increasing its vulnerability to general adverse economic and industry conditions; limiting its ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation; limiting its ability or increasing the costs to refinance indebtedness; and limiting its ability to enter into marketing, hedging, optimization, and trading transactions by reducing the number of counterparties with whom they can transact as well as the volume of those transactions. These consequences, and others, could similarly impact the Company's business and operations after the Implementation Date.

Covenant restrictions under Reorganized ABH's indebtedness may limit its ability to operate its business

The agreements that govern the terms of Reorganized ABH's debt, including the Exit Loan Facilities, are expected to contain covenants that will restrict its ability and the ability of its Subsidiaries to:

- incur and guarantee indebtedness or issue equity interests of restricted Subsidiaries;
- repay subordinated indebtedness prior to its stated maturity;
- pay dividends or make other distributions on or redeem or repurchase its stock;
- issue capital stock;
- make certain investments or acquisitions;
- create liens;
- sell certain assets or merge with or into other companies;
- enter into certain transactions with stockholders and affiliates;
- make capital expenditures; and
- restrict dividends, distributions or other payments from its subsidiaries.

In addition, some or all of the agreements governing the Exit Loan Facilities or other indebtedness of Reorganized ABH will likely require Reorganized ABH to satisfy and maintain various financial maintenance covenants, such as minimum fixed charge coverage ratios, minimum EBITDA, maximum total leverage ratios and other similar covenants. Reorganized ABH's ability to meet the required financial ratios may be affected by events beyond its control, and Reorganized ABH may not be able to meet these ratios. A breach of these covenants could result in defaults under the applicable Exit Loan Facilities.

A breach of the covenants under the Exit Loan Facilities or other Reorganized ABH indebtedness could result in an event of default under the applicable indebtedness. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under a debt agreement would likely permit the lenders under the agreement to terminate all commitments to extend further credit under the agreement. Furthermore, if Reorganized ABH were unable to repay the amounts due and payable under the Exit Loan Facilities or other indebtedness, those lenders could proceed against any collateral granted to them to secure that indebtedness. In the event the lenders accelerate the repayment of the borrowings, Reorganized ABH cannot assure that it and its subsidiaries would have sufficient assets to repay such indebtedness.

As a result of the restrictions in its indebtedness, Reorganized ABH may be:

- limited in how it conducts its business;

- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect Reorganized ABH's ability to grow in accordance with its plans or adapt to changing business or economic conditions.

Despite the expected post-emergence indebtedness levels of Reorganized ABH, it may still be able to incur substantially more debt, and additional indebtedness could exacerbate the risks associated with the substantial leverage of Reorganized ABH

Reorganized ABH and its Subsidiaries may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. The terms of the Exit Loan Facilities and the other indebtedness of Reorganized ABH will likely restrict, but will not completely prohibit, Reorganized ABH from doing so. Further, the indenture governing the Rights Offering Notes will not prohibit Reorganized ABH or its subsidiaries from incurring additional senior debt or secured debt, nor does it prohibit any of its subsidiaries from incurring additional liabilities. If new debt or other liabilities are added to Reorganized ABH's post-emergence debt levels, the related risks that it faces could intensify.

The Company's financial results may be volatile and may not reflect historical trends

Following the Company's emergence from the CCAA Proceedings and the Chapter 11 Cases, it expects that its financial results may continue to be volatile as asset impairments, asset dispositions and restructuring activities (including mill and paper machines closures and idlings), as well as continuing global economic uncertainty, may significantly impact the Financial Projections. As a result, the Company's historical financial performance is likely not indicative of its financial performance post-consummation. In addition, upon emergence from the CCAA Proceedings and the Chapter 11 Cases, the amounts reported in the Company's subsequent financial statements may materially change relative to its historical financial statements, including as a result of revisions to its operating plans and changes in the terms and provisions of the Exit Loan Facilities pursuant to the CCAA Plan and the U.S. Plan.

In addition, to the extent actual results or conditions differ from the assumptions made by the Company in preparing its Financial Projections, the actual results and financial condition of the Company may differ materially from those presented in the Financial Projections. Among the factors that may cause actual results or conditions to differ from the assumptions made by the Company in preparing its Financial Projections are those risk factors presented in the "*Risk Factors*" section of this Circular.

Because the Company's financial statements will reflect fresh start accounting adjustments upon its emergence from CCAA Proceedings and the Chapter 11 Cases, information reflecting the Company's results of operations and financial condition will not be comparable to prior periods and may vary significantly from the fresh start accounting adjustments used to calculate the Financial Projections

Upon the Company's emergence from the CCAA Proceedings and the Chapter 11 Cases, it will apply fresh start accounting. As a result, book value of the Company's long-lived assets and the related depreciation and amortization schedules, among other things, will likely be different from what is reflected in the Company's historical financial statements and may be different from what is reflected in the Financial Projections. Following the Company's emergence from the CCAA Proceedings and the Chapter 11 Cases, certain information reflecting the Company's results of operations and financial condition will not be comparable to that for historical periods prior to emergence from the CCAA Proceedings and the Chapter 11 Cases.

Under fresh start accounting, the Company's calculated enterprise value will be allocated to its assets based on their respective fair values. Any portion not attributed to specific tangible or identified intangible assets will be an indefinite-lived intangible asset referred to as "reorganization value in excess of value" and reported as goodwill.

The Company has obtained preliminary valuations of its tangible and intangible assets at its estimated emergence date, and its reorganization value has been allocated to specific assets in accordance with such preliminary valuations, as reflected in the Financial Projections. However, updates to such preliminary valuations will be completed as of the date the Company emerges from the CCAA Proceedings and the Chapter 11 Cases and, to the extent such updates reflect a valuation different than estimated, the Company anticipates that there may be adjustments in the carrying values of certain assets as a result. To the extent actual valuations and allocations may differ from those used in calculating the Financial Projections, these differences will be reflected on the Company's balance sheet upon emergence pursuant to fresh start accounting rules and may also affect the amount of depreciation and amortization expense the Company recognizes on its statements of earnings post-emergence.

Risks Relating to the Company's Business

Developments in alternative media could continue to adversely affect the demand for the Company's products, especially in North America, and the Company's responses to these developments may not be successful

Trends in advertising, electronic data transmission and storage and the Internet could have further adverse effects on traditional print media, including the Company's products and those of its customers, but neither the timing nor the extent of those trends can be predicted with certainty. The Company's newspaper, magazine and catalog publishing customers may increasingly use, and compete with businesses that use, other forms of media and advertising and electronic data transmission and storage, including television, wireless technologies and the Internet, instead of newsprint, coated papers, uncoated specialty papers or other products made by it. The demand for certain of the Company's products weakened significantly over the last several years. For example, industry statistics indicate that North American newsprint demand has been in decline for several years and has experienced annual declines of 5.6% in 2005, 6.1% in 2006, 10.3% in 2007, 11.2% in 2008 and 25.3% in 2009. Third-party forecasters indicate that these declines in newsprint demand could continue in 2010 and beyond due to conservation measures taken by publishers, reduced North American newspaper circulation, less space devoted to advertising and substitution to other uncoated mechanical grades.

One of the Company's responses to the declining demand for its products has been to curtail its production capacity. It may become necessary to curtail production even further or permanently shut down even more machines or facilities. Such further curtailments and shutdowns would become increasingly likely as North American newsprint demand continues to decline or if market conditions otherwise worsen. Curtailments or shutdowns could result in goodwill or asset impairments and additional costs at the affected facilities, including restructuring charges and exit or disposal costs, and could negatively impact the Company's cash flows and materially affect its results of operations and financial condition.

Bankruptcy of a significant customer could have a material adverse effect on the Company's liquidity, financial position and results of operations

Trends discussed in the immediately preceding risk factor continue to impact the operations of the Company's newsprint customers. If a customer is forced into bankruptcy as a result of these trends, any receivables related to that customer prior to the date of filing of such customer may not be realized. In addition, such a customer may choose to reject its contracts with the Company, which could result in a larger claim arising prior to the date of filing of such customer.

Currency fluctuations may adversely affect the Company's results of operations and financial condition, and changes in foreign currency exchange rates can affect the Company's competitive position, selling prices and manufacturing costs

The Company competes with North American, European and Asian producers in most of its product lines. The Company's products are sold and denominated in U.S. dollars, Canadian dollars and selected foreign currencies. A substantial portion of the Company's manufacturing costs are denominated in Canadian dollars. In addition to the impact of product supply and demand, changes in the relative strength or weakness of such currencies, and particularly the U.S. dollar, may also affect international trade flows of these products. A stronger U.S. dollar may attract imports into North America from foreign producers, increase supply and have a downward effect on prices, while a weaker U.S. dollar may encourage U.S. exports and increase manufacturing costs that are in Canadian dollars or other foreign currencies. Variations in the exchange rates between the U.S. dollar and other currencies, particularly the Euro and the currencies of Canada, Sweden and certain Asian countries, will significantly affect the Company's competitive position compared to many of its competitors.

The Company is particularly sensitive to changes in the value of the Canadian dollar versus the U.S. dollar. The impact of these changes depends primarily on the Company's production and sales volume, the proportion of its production and sales that occur in Canada, the proportion of its financial assets and liabilities denominated in Canadian dollars, its hedging levels and the magnitude, direction and duration of changes in the exchange rate. The Company expects exchange rate fluctuations to continue to impact costs and revenues; however, it cannot predict the magnitude or direction of this effect for any quarter, and there can be no assurance of any future effects. During the last two years, the relative value of the Canadian dollar ranged from $1.02 in March 2008 to $0.77 in October 2008 and back to $0.95 as of December 31, 2009. Based on exchange rates and operating conditions projected for 2010, and prior to the impact of the Company's plan or plans of reorganization, the Company projects that a one-cent increase in the Canadian-U.S. dollar exchange rate would decrease its pre-tax income (loss) for 2010 by approximately $22 million.

If the Canadian dollar continues to remain strong versus the U.S. dollar, it could influence the foreign exchange rate assumptions that are used in the Company's evaluation of long-lived assets for impairment and, consequently, result in asset impairment charges.

The Company may not be successful in its strategy of increasing its share of coated and specialty papers and competing in growth markets with higher returns

One of the components of the Company's long-term strategy is to improve its portfolio of businesses by focusing on coated and specialty papers and competing more aggressively in growth markets with higher returns. There are risks associated with the implementation of this strategy, which is complicated and involves a substantial number of mills, machines and personnel. To the extent the Company is unsuccessful in achieving this strategy, its results of operations may be adversely affected.

The Company faces intense competition in the forest products industry and the failure to compete effectively would have a material adverse effect on its business, financial condition or results of operations

The Company competes with numerous forest products companies, many of which have greater financial resources than the Company does. There has been a continued trend toward consolidation in the forest products industry, leading to new global producers. These global producers are typically large, well-capitalized companies that may have greater flexibility in pricing and financial resources for marketing, investment and expansion than the Company does. The markets for its products are all highly competitive. Actions by competitors can affect the Company's ability to sell its products and can affect the volatility of the prices at which its products are sold. While the principal basis for competition is price, the Company also competes on the basis of its customer service, quality and product type. There has also been an increasing trend toward consolidation among its customers. With fewer customers in the market for its products, the Company's negotiation position with these customers could be weakened. In addition, the CCAA Proceedings and the Chapter 11 Cases may be used by the Company's competitors in an attempt to divert the Company's existing customers or may discourage future customers from purchasing the Company's products under long-term agreements.

In addition, the Company's industry is capital intensive, which leads to high fixed costs. Some of the Company's competitors may be lower-cost producers in some of the businesses in which the Company operates. Global newsprint capacity, particularly Chinese and European newsprint capacity, has been increasing, which is expected to result in lower prices, volumes or both for the Company's exported products. The Company believes that new hardwood pulp capacity at South American pulp mills has unit costs that are significantly below those of its hardwood kraft pulp mills. Other actions by competitors, such as reducing costs or adding low-cost capacity, may adversely affect the Company's competitive position in the products it manufactures and, consequently, its sales, operating income and cash flows. The Company may not be able to compete effectively and achieve adequate levels of sales and product margins. Failure to compete effectively would have a material adverse effect on the Company's business, financial condition or results of operations.

The forest products industry is highly cyclical. Fluctuations in the prices of, and the demand for, the Company's products could result in small or negative profit margins, lower sales volumes and curtailment or closure of operations

The forest products industry is highly cyclical. Historically, economic and market shifts, fluctuations in capacity and changes in foreign currency exchange rates have created cyclical changes in prices, sales volume and margins for the Company's products. Most of its paper and wood products are commodities that are widely available from other producers and even its coated and specialty papers are susceptible to these fluctuations. Because the Company's commodity products have few distinguishing qualities from producer to producer, competition for these products is based primarily on price, which is determined by supply relative to demand. The overall levels of demand for the products the Company manufactures and distributes and, consequently, its sales and profitability, reflect fluctuations in levels of end-user demand, which depend in part on general economic conditions in North America and worldwide. In 2008 and 2009, the Company experienced lower demand and decreased pricing for its wood products due to a weaker U.S. housing market. As a result, during 2008, the Company announced the curtailment of annualized capacity of approximately 1.3 billion board feet of lumber in the provinces of Québec and British Columbia and during 2009, the Company continued its wood products' operating rate at extremely low levels. The Company is not expecting any significant improvements in the U.S. housing market in 2010, and there is significant uncertainty with respect to prospects for recovery in the market. Curtailments or shutdowns could result in asset impairments at the affected facilities and could materially and adversely affect the results of operations or financial condition.

The Company's manufacturing businesses may have difficulty obtaining wood fiber at favorable prices, or at all

Wood fiber is the principal raw material the Company uses in its business. The Company uses both virgin fiber (wood chips and logs) and recycled fiber (old newspapers and magazines) as fiber sources for its paper mills. The primary source for wood fiber is timber. Environmental litigation and regulatory developments have caused, and may cause in the future, significant reductions in the amount of timber available for commercial harvest in Canada and the United States. In addition, future domestic or foreign legislation, litigation advanced by Aboriginal groups and litigation concerning the use of timberlands, the protection of endangered species, the promotion of forest biodiversity and the response to and prevention of catastrophic wildfires could also affect timber supplies. Availability of harvested timber may further be limited by factors such as fire and fire prevention, insect infestation, disease, ice storms, wind storms, drought, flooding and other natural and man-made causes, thereby reducing supply and increasing prices. As is typical in the industry, the Company does not maintain insurance for any loss to its outstanding timber from natural disasters or other causes. Wood fiber is a commodity and prices historically have been cyclical, are subject to market influences and may increase in particular regions due to market shifts.

Pricing of recycled fiber is also subject to market influences and has experienced significant fluctuations. During the last two years, the prices of old newspapers have ranged from a high of $195 average per ton during the third quarter of 2008 to a low of $76 average per ton during the first quarter of 2009 and averaged $131 per ton during the fourth quarter of 2009. There can be no assurance that prices of recycled fiber will remain at their current level. Any sustained increase in fiber prices would increase the Company's operating costs. Such conditions could have a material, adverse effect on the Company's profitability, results of operations and financial condition, and the Company may be unable to increase prices for its products in response.

There can be no assurance that access to fiber will continue at the same levels achieved in the past. The cost of softwood fiber and the availability of wood chips may be affected. If the Company's cutting rights pursuant to the forest licenses or forest management agreements are reduced or if any third-party supplier of wood fiber stops selling or is unable to sell wood fiber to the Company, its financial condition or operating results could suffer.

An increase in the cost of the Company's purchased energy, chemicals and other raw materials would lead to higher manufacturing costs, thereby reducing the Company's margins

The Company's operations consume substantial amounts of energy, such as electricity, natural gas, fuel oil, coal and wood waste. The Company buys energy and raw materials, including chemicals, wood, recovered paper and other raw materials, primarily on the open market.

The prices for raw materials and energy are volatile and may change rapidly, directly affecting the Company's results of operations. The availability of raw materials and energy may also be disrupted by many factors outside the Company's control, adversely affecting its operations. Energy prices, particularly for electricity, natural gas and fuel oil, have been volatile in recent years and prices every year since 2005 have exceeded long-term historical averages. As a result, fluctuations in energy prices will impact the Company's manufacturing costs and contribute to earnings volatility.

The Company is a major user of renewable natural resources such as water and wood. Accordingly, significant changes in climate and forest diseases or infestation could affect the Company's financial condition or results of operations. The volume and value of timber that it can harvest or purchase may be limited by factors such as fire and fire prevention, insect infestation, disease, ice storms, wind storms, drought, flooding and other natural and man-made causes, thereby reducing supply and increasing prices. As is typical in the industry, the Company does not maintain insurance for any loss to its standing timber from natural disasters or other causes. Also, the Company can provide no assurance that it will be able to maintain its rights to utilize water or to renew them at conditions comparable to those currently in effect.

For the Company's commodity products, the relationship between industry supply and demand for these products, rather than changes in the cost of raw materials, will determine the Company's ability to increase prices. Consequently, the Company may be unable to pass along increases in its operating costs to its customers. Any sustained increase in energy, chemical or raw material prices without any corresponding increase in product pricing would reduce the Company's operating margins and potentially require the Company to limit or cease operations of one or more of its machines.

The Company could experience disruptions in operations or increased labor costs due to labor disputes

As of March 31, 2010, the Company employed approximately 11,900 people, of whom approximately 8,800 were represented by bargaining units. The Company's unionized employees are represented predominantly by the CEP in Canada and predominantly by the United Steelworkers International in the United States.

A significant number of the Company's Collective Bargaining Agreements with respect to its paper operations in Eastern Canada expired at the end of April 2009. At the beginning of March 2010, the Company reached an agreement in principle with the CEP and the CSN, subject to the resolution of ongoing multi-party pension deficit discussions, as further described below. Ratification of these agreements has been completed in all locations.

On April 29, 2010, a coalition of U.S. labor unions led by the United Steelworkers International ratified a new master bargaining agreement covering mills in Calhoun, Catawba, Coosa Pines and Augusta. The individual mill Collective Bargaining Agreements adopted in connection therewith will extend through April 27, 2014 in the case of Calhoun and Catawba and April 27, 2015 in the case of Coosa Pines and Augusta. The master agreement will become effective upon consummation of the U.S. Plan. As a result, subject to certain reservations of rights, the proofs of claim filed by the United Steelworkers International will be deemed withdrawn.

In May and June 2010, the Company reached agreements with sawmills and woodland workers in the Mauricie region represented by CSN and with most of the Unions representing trades and office employees in its four Ontario paper mills. The Company is still negotiating the renewal of four Collective Bargaining Agreements with other Unions also representing trades and office employees in these mills.

In June 2010, the Company reached an agreement for the renewal of the Collective Bargaining Agreements of four sawmills affiliated to the CEP (the "**CEP Union Agreement**"). The CEP Union Agreement has since been serving as a model agreement for three other sawmills located in St-Felicien (CSD), Normandin (CSN) and Lake St-Jean and Comtois (CEP). Two agreements are in the process of being ratified.

Finally, the Company started discussions at the end of June 2010 with the CEP for the reopening and/or renewal of eight woodland unions representing 800 employees working in the Lake St-Jean region.

The Company may not be able to reach satisfactory agreements with all of its employees which could result in strikes or work stoppages by affected employees. Renewals could also result in higher wage or benefit costs. The Company could therefore experience a disruption of its operations or higher ongoing labor costs, which could materially and adversely affect the Company's business, financial condition or results of operations and its emergence from the CCAA Proceedings and the Chapter 11 Cases.

The Company's operations require substantial capital and it may not have adequate capital resources to provide for all of its capital requirements

The Company's businesses are capital intensive and require regular capital expenditures in order to maintain its equipment, increase its operating efficiency and comply with environmental Laws. In addition, significant amounts of capital may be required to modify its equipment to produce alternative grades with better demand characteristics or to make significant improvements in the characteristics of its current products. If the Company's available cash resources and cash generated from operations are not sufficient to fund its operating needs and capital expenditures, it would have to obtain additional funds from borrowings or other available sources or reduce or delay its capital expenditures. Current global credit conditions and the downturn in the global economy have resulted in a significant decline in the credit markets and the overall availability of credit. The Company may not be able to obtain additional funds on favorable terms or at all. If the Company cannot maintain or upgrade its equipment as it requires, it may become unable to manufacture products that compete effectively. At this time, the Company cannot predict the impact of the CCAA Proceedings and the Chapter 11 Cases on its capital expenditure program.

Changes in Laws and regulations could adversely affect the Company's results of operations

The Company is subject to a variety of foreign, federal, state, provincial and local Laws and regulations dealing with trade, employees, transportation, Taxes, timber and water rights and the environment. Changes in these Laws or regulations or their interpretations or enforcement have required in the past, and could require in the future, substantial expenditures by the Company and adversely affect its results of operations. For example, changes in environmental Laws have in the past, and could in the future, require the Company to spend substantial amounts to comply with restrictions on air emissions, wastewater discharge, waste management and landfill sites, including remediation costs. Environmental Laws are becoming increasingly stringent. Consequently, its compliance and remediation costs could increase materially, which could have a material adverse effect on the Company's profitability, results of operations and financial condition.

Changes in the political or economic conditions in Canada, the United States or other countries in which the Company's products are manufactured or sold could adversely affect the Company's results of operations

The Company manufactures products in Canada, the United States and South Korea and sells products throughout the world. Paper prices are tied to the health of the economies of North and South America, Asia and Europe, as well as to paper inventory levels in these regions. The economic and political climate of each region has a significant impact on the Company's costs and the prices of, and demand for, its products. Changes in regional economies or political instability, including acts of war or terrorist activities, can affect the cost of manufacturing and distributing the Company's products, pricing and sales volume, directly affecting the results of operations. Such changes could also affect the availability or cost of insurance.

The Company may be subject to additional environmental liabilities

The Company is subject to a wide range of general and industry-specific Laws and regulations relating to the protection of the environment, including those governing air emissions, wastewater discharges, timber harvesting, the storage, management and disposal of hazardous substances and waste, the clean-up of contaminated sites, landfill operation and closure, forestry operations, endangered species habitat, and health and safety. As an owner and operator of real estate and manufacturing and processing facilities, the Company may be liable under environmental Laws for cleanup and other costs and damages, including tort liability and damages to natural resources, resulting from past or present spills or releases of hazardous or toxic substances on or from its current or former properties. The Company may incur liability under these Laws without regard to whether the Company knew of, was responsible for, or owned the property at the time of, any spill or release of hazardous or toxic substances on or from its property, or at properties where the Company arranged for the disposal of regulated materials. Claims may arise out of currently unknown environmental conditions or aggressive enforcement efforts by governmental or private parties.

The Company is subject to physical and financial risks associated with climate change

The Company's operations are subject to climate variations, which impact the productivity of forests, the distribution and abundance of species and the spread of disease or insect epidemics, which may adversely or positively affect timber production. Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters such as hurricanes, earthquakes, hailstorms, wildfires, snow and ice storms, which could also affect the Company's woodlands or cause variations in the cost for raw materials such as fiber. Changes in precipitation resulting in droughts could adversely affect the Company's hydroelectric facilities' production, increasing its energy costs, while increased precipitation may generally have positive effects.

To the extent climate change impacts raw material availability or the Company's electricity production, it may also impact costs and revenues. Furthermore, should financial markets view climate change as a financial risk, the Company's ability to access capital markets or to receive acceptable terms and conditions could be affected.

The Company may be required to record additional long-lived asset impairment charges

Losses related to impairment of long-lived assets are recognized when circumstances indicate the carrying values of the assets may not be recoverable, such as continuing losses in certain locations. When certain indicators that the carrying value of a long-lived asset may not be recoverable are triggered, the Company evaluates the carrying value of the asset group in relation to its expected undiscounted future cash flows. If the carrying value of the asset group is greater than the expected undiscounted future cash flows, an impairment charge is recorded based on the excess of the long-lived asset group's carrying value over its fair value.

It is possible that the Company could record additional non-cash long-lived asset impairment charges in future periods when there is a triggering event.

The Company has net liabilities with respect to its pension plans and the actual cost of its pension plan obligations could exceed current provisions

As of December 31, 2009, the Company's defined benefit pension plans were under-funded by an aggregate of approximately $424 million on a financial accounting basis. The Company's future funding obligations for the defined benefit pension plans depend upon changes to the level of benefits provided by the plans, the future performance of assets set aside in trust for these plans, the level of interest rates used to determine minimum funding levels, actuarial data and demographic experience (e.g., mortality and retirement rates) and any changes in government laws and regulations. Any adverse change to any of these factors may require the Company to increase its cash contributions to its pension plans and those additional contributions could have a material adverse effect on its cash flows and results of operations.

The determination of projected benefit obligations and the recognition of expenses related to the Company's pension plan obligations are dependent on assumptions used in calculating these amounts. These assumptions include, among other things, expected rates of return on plan assets, which are developed using the Company's historical experience applied to its target allocation of investments in conjunction with market-related data for each individual country in which such plans exist. All assumptions are reviewed periodically with third-party actuarial consultants and adjusted as necessary. Any deterioration in the global securities markets could impact the value of the assets included in its defined benefit pension plans, which could materially impact future minimum cash contributions. Additional disclosure regarding the Company's defined benefit pension plans is available in ABH's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as amended, which is available for inspection online at the SEC's website at http://www.sec.gov.

The Company continues to evaluate its pension and other post-retirement benefit obligations in the context of the CCAA Proceedings and the Chapter II Cases and, as a result, its current expectations regarding such obligations in 2010 and beyond are uncertain at this time and are subject to change.

ACI and Bowater sponsor several registered pension plans for their employees and retirees in Canada. These plans include 15 defined benefit plans registered in Québec or Ontario which have a material aggregate solvency deficit for which funding relief has been sought. Employees will cease to accrue credited service in these defined benefit plans effective December 31, 2010, and will be enrolled in target benefit pension plans (unionized employees) or defined contribution pension plans (non-unionized employees) from January 1, 2011.

It is a condition precedent to the implementation of the CCAA Plan that funding relief regulations be adopted in form and substance satisfactory to the Applicants: (i) pursuant to the *Supplemental Pension Plans Act* (Québec); and (ii) pursuant to the *Pension Benefits Act* (Ontario) for the benefit of ABH and its subsidiaries with respect to the funding of their respective defined benefit pension plans registered in each such province.

Specifically, such regulations shall be required to provide, among other things, that the Company's aggregate annual contribution in respect of the solvency deficits of such plans for each year from 2011 through 2020 will be limited to the following: (i) a $50 million basic contribution; (ii) beginning in 2013, if the plans' aggregate solvency ratio falls below a specified target for a year, an additional contribution equal to 15% of free cash flow up to $15 million per year; and (iii) beginning in 2016, if the amount payable for benefits in a year exceeds a specified threshold and the plans' aggregate solvency ratio is more than 2% below the target for that year, a supplementary contribution equal to such excess (such supplementary contribution being capped at $25 million on the first occurrence only of such an excess). Should a plan move into surplus during the 2011-2020 period, it will cease to be subject to this funding relief. After 2020, the funding rules in place at the time will apply to any remaining deficit.

The Company has reached agreement in principle with pension authorities in Québec on the above mentioned financial parameters for relaxed funding requirements for the defined benefit plan solvency deficits, but this agreement remains subject to completion of certain discussions with the government of Québec. Discussions are also on-going with the government of Ontario. There can be no guarantee that such discussions will be successful.

The Company is of the view that its ability to obtain the commercial exit financing it requires will also depend on the satisfaction of this condition precedent without which the Company's viability remains uncertain.

Implementation of the funding relief is subject to reaching agreement on the detailed parameters thereof and to adoption by the Québec and Ontario governments of the requisite funding relief regulations. The Company expects that it will be required to send detailed information packages on the proposed funding relief to plan beneficiaries and unions.

If funding relief regulations are adopted in form and substance satisfactory to the Company, the Company may lose the benefit of such regulations if it fails to satisfy the conditions of any such regulations or related agreement with Canadian authorities, which could have a material adverse effect on the Company's profitability, results of operations and financial condition.

The Company may not be compensated for the expropriation of certain assets by the Government of Newfoundland and Labrador

On December 16, 2008, following the Company's December 4, 2008 announcement of the permanent closure of its Grand Falls newsprint mill, Newfoundland and Labrador passed legislation under Bill 75 to expropriate, among other things, all of the Company's timber rights, water rights, leases and hydroelectric assets in Newfoundland and Labrador, whether partially or wholly owned through its Subsidiaries and affiliated entities. Newfoundland and Labrador also announced that it does not plan to compensate the Company for the loss of the water and timber rights, but has indicated that it may compensate the Company for certain of its hydroelectric assets. However, it has made no commitment to ensure that such compensation would represent the fair market value of such assets.

On February 25, 2010, the Company filed a Notice of Arbitration against the Government of Canada under NAFTA, which asserts that the expropriation was arbitrary, discriminatory and illegal. The Company's claim seeks direct compensation for damages of approximately Cdn$500 million, plus additional costs and relief. Although the Company believes that the Government of Canada will be required to compensate it for the fair market value of the expropriated assets, there can be no assurance that it will. The Company continues to reach out to the Government of Canada in an effort to come to a negotiated settlement and avoid protracted NAFTA proceedings.

The Company could be compelled to remediate certain sites it formerly owned and/or operated in the Province of Newfoundland and Labrador

On March 31, 2010, the Court dismissed a motion for declaratory judgment brought by Newfoundland and Labrador, awarding costs in favor of the Company, and thus confirmed its position that the five orders the province issued under section 99 of its EPA on November 12, 2009 are subject to the Stay of Proceedings pursuant to the CCAA Proceedings. Newfoundland and Labrador's orders could have required the Company to proceed immediately with the environmental remediation of various sites it formerly owned or operated, some of which Newfoundland and Labrador expropriated in December 2008 with Bill 75. If Newfoundland and Labrador requests an extension to the applicable court-imposed deadline by which its claim had to be filed in order to receive any distribution in the CCAA Proceedings, a request the Company can contest, and if the Court grants the request, the province's claim based on the environmental orders would be subject to the existing claims process and would be subject to compromise. Newfoundland and Labrador sought leave to appeal the Court's judgment to the Québec Court of Appeal, which was denied on May 18, 2010.

The continued decline in the global economy may significantly inhibit the Company's ability to sell assets

Non-core asset sales have been and may continue to be a source of additional liquidity, subject to the approval of the Court, the Bankruptcy Court and the Monitor, as applicable, until such time as the Company emerges from the CCAA Proceedings. The Company periodically reviews timberlands and other assets and sells such assets as a source of additional liquidity. However, as a result of the current global economy and credit conditions, it may be difficult for potential purchasers to obtain the financing necessary to buy such assets. As a result, the Company may be forced to sell the assets for significantly lower amounts than planned or may not be able to sell them at all. No assurances can be provided that the Court, the Bankruptcy Court and the Monitor, as applicable, will approve such sales or as to the timing of any such approvals.

The Company could lose any or all of its equity interest in Augusta Newsprint Company

On June 15, 2009, the Company filed a motion with the Bankruptcy Court to reject the Call Agreement in respect of ANI, an indirect subsidiary of Woodbridge and the Company's partner in ANC. ANC is the partnership that owns and operates the Augusta newsprint mill. The Call Agreement obligated ACSC to either buy out ANC at a price well above market, or risk losing all of its equity in the joint venture pursuant to forced sale provisions. The Bankruptcy Court granted the Company's motion on October 27, 2009 and approved its rejection of the Call Agreement. The Company's counterparties to the Call Agreement filed a notice of appeal with the Bankruptcy Court on November 3, 2009. If the Bankruptcy Court's judgment is not upheld and a forced sale is consummated, there can be no assurance that the Company would be able to recover any or all of its 52.5% equity interest in the ANC, which as of December 31, 2009, was approximately $42 million.

Also, on March 9, 2010, Woodbridge filed a motion in the Bankruptcy Court to force ACSC to reject the partnership agreement governing the ANC. If ACSC were forced to reject the partnership agreement, the future of the Augusta mill would be uncertain. The U.S. Debtors filed an objection to the motion on April 9, 2010. The matter was heard on May 26, 2010 but the hearing was not dispositive. The motion is now pending before the Bankruptcy Court.

Risks Relating to the New ABH Common Stock

The CCAA Plan exchanges senior securities for equity

If the CCAA Plan is implemented, Affected Unsecured Creditors with Proven Claims will receive New ABH Common Stock. Thus, in agreeing to the CCAA Plan, certain of such holders will be consenting to the exchange of their interests in senior debt, which has, among other things, a stated interest rate, a maturity date, and a liquidation preference over equity securities, for New ABH Common Stock, which will be subordinated to all future creditor and non-equity based Claims.

There is no existing trading market for the New ABH Common Stock

There is no existing trading market for the New ABH Common Stock nor is it known with certainty whether or when a trading market will develop. Although the Applicants anticipate that the shares of New ABH Common Stock will be listed or quoted on the NYSE, the NASDAQ and/or the TSX, there can be no assurance that such shares will be accepted for listing by the relevant governing body. The lack of liquidity for the New ABH Common Stock may make it more difficult for Reorganized ABH to raise additional capital, if necessary, and it may affect the price volatility of the New ABH Common Stock. There can also be no assurance that a holder will be able to sell its shares of New ABH Common Stock at a particular time or that the prices such holder receives when it sells will be favorable. Future trading prices of the New ABH Common Stock will depend on many factors, including the operating performance and financial condition of Reorganized ABH.

Reorganized ABH does not intend to pay dividends with respect to the New ABH Common Stock in the foreseeable future

For the foreseeable future, Reorganized ABH does not anticipate paying any dividends with respect to the New ABH Common Stock. Any future determination to pay dividends will be at the discretion of the Board of Reorganized ABH and will be dependent on then-existing conditions, including the financial condition, results of operations, capital requirements, contractual restrictions, business prospects and other factors that the Board of Reorganized ABH considers relevant. As a result, the trading price of the New ABH Common Stock could be materially and adversely affected.

Upon consummation of the Plan, there may be significant holders of the New ABH Common Stock

Upon consummation of the CCAA Plan, certain holders of Claims will receive distributions of the shares of New ABH Common Stock representing a substantial percentage of the outstanding shares of the New ABH Common Stock. If certain holders of Claims obtain a sufficiently sizeable position of New ABH Common Stock, such holders could be in a position to influence the outcome of actions requiring shareholder approval, including, among other things, the election of Reorganized ABH Board members. This concentration of ownership could also facilitate or hinder a negotiated change of control of Reorganized ABH and, consequently, impact the value of the New ABH Common Stock. Furthermore, the possibility that one or more holders of a significant number of shares of the New ABH Common Stock may sell all or a large portion of its shares of the New ABH Common Stock in a short period of time may adversely affect the trading prices of the New ABH Common Stock.

The trading price for the New ABH Common Stock may be depressed following the Implementation Date

Following the Implementation Date, recipients of New ABH Common Stock under the CCAA Plan may seek to dispose of such securities to obtain liquidity, which could cause the initial trading prices for these securities to be depressed, particularly in light of the lack of established trading markets for these securities. Further, the possibility that recipients of New ABH Common Stock may determine to sell all or a large portion of their shares in a short period of time may adversely affect the market price of the New ABH Common Stock.

The Enterprise Valuation and the illustrative recoveries to holders of Affected Claims, are not intended to represent the trading value of the New ABH Common Stock

The Enterprise Valuation, attached as Appendix H – "*Enterprise Valuation*", is based on the Financial Projections developed by the Applicants with the assistance of their financial advisors and investment bankers and on certain generally accepted valuation principles. It is not intended to represent the trading values of the Company's securities in public or private markets. The Enterprise Valuation is based on numerous assumptions (the realization of many of which are beyond the Company's control), including the Company's successful reorganization, an assumed Implementation Date on or about October 14, 2010, the Company's ability to achieve the operating and financial results included in the Financial Projections, the definitive allocation, sizing and terms and provisions of the Exit Loan Facilities and the Company's ability to maintain adequate liquidity to fund operations. Even if the Company realizes the Financial Projections, the trading market values for the New ABH Common Stock could be adversely impacted by the lack of trading liquidity for these securities, lack of institutional research coverage, and concentrated selling by recipients of these securities.

The New ABH Common Stock may be issued in odd lots

Holders of Proven Claims may receive odd lot distributions (*i.e.*, less than 100 shares or units) of New ABH Common Stock under the CCAA Plan or under the U.S. Plan. Holders may find it more difficult to dispose of odd lots in the marketplace and may face increased brokerage charges in connection with any such disposition.

Upon consummation of the Plans, there may be restrictions on transfer of New ABH Common Stock by certain holders

Holders of New ABH Common Stock issued pursuant to the U.S. Plan and delivered pursuant to the CCAA Plan who are deemed to be "underwriters" as defined in Section 1145(b) of the Bankruptcy Code, and those holders who are deemed to be "affiliates" or "control persons" within the meaning of the U.S. Securities Act and the rules promulgated thereunder, will be unable to freely transfer or to sell their New ABH Common Stock except pursuant to (a) "ordinary trading transactions" by a holder that is not an "issuer" within the meaning of Section 1145(b) of the Bankruptcy Code, (b) an effective registration of such securities under the U.S. Securities Act and under equivalent state securities or "blue sky" Laws, or (c) pursuant to the provisions of Rule 144 or Regulation S under the U.S. Securities Act or another available exemption from the registration requirements of the U.S. Securities Act. Similarly, under Canadian securities Laws, New ABH Common Stock held by "control persons" will generally not be freely tradable in Canada and will be subject to resale restrictions.

Risk Factors Relating to the Rights Offering – Generally

Features of the Subscription Rights are distinct from a conventional rights offering

The Subscription Rights offered to Eligible Holders pursuant to the Rights Offering have a number of features that are different from those characteristic of more conventional rights offerings. The Subscription Rights are non-transferable and non-assignable (either directly or indirectly) by Eligible Holders. Only the Eligible Holder of record as of June 30, 2010 may complete and submit a Subscription Form to exercise a Subscription Right during the period which begins on August 9, 2010 and which ends on the Rights Offering Expiration Date. There will be no market through which the Subscription Rights may be sold, and the Eligible Holders will be unable to resell the Subscription Rights received under the Rights Offering. However, the benefit of an exercised Subscription Right may be transferred only with the underlying Claim. The Subscription Rights and the related Claims will not be listed on any stock exchange.

Holders of Class 6 Claims and Affected Unsecured Creditors that are not Eligible Holders will not be entitled to participate in the Rights Offering. The Company does not anticipate that such Eligible Holders will receive any alternative consideration or compensation for such inability to participate.

Any Creditor that receives a distribution in cash relinquishes its right to exercise Subscription Rights.

Subject to the provisions of the Backstop Commitment Agreement, the Company also reserves the right to supplement, revise or otherwise modify the Rights Offering procedures as determined in the Company's sole discretion to be necessary to effectuate and administer the Rights Offering.

The precise amount of Subscription Rights an Eligible Holder will receive cannot be determined finally at this time

Eligible Holders will be offered Subscription Rights to purchase Rights Offering Notes for a number of Rights Offering Notes determined on the basis of the Eligible Holder's proportionate share of New ABH Common Stock to be distributed under the Plans on account of such Eligible Holder's Claims as of the First Rights Offering Record Date. An Eligible Holder may subscribe for additional Subscription Rights upon the resolution of any Disputed Claim during the period after the First Rights Offering Record Date but on or before the Rights Offering Expiration Date, pursuant to an order of the Court or pursuant to a claims modification determined by the Monitor or a Claims Officer appointed by the Court. Unless such Disputed Claim is resolved on or before the Second Rights Offering Record Date, the Eligible Holder with a Disputed Claim shall not be entitled to receive additional Subscription Rights to purchase Rights Offering Notes in addition to its entitlement as determined on the First Rights Offering Record Date.

Furthermore, the Company may, in its sole discretion, reduce the size of the Rights Offering or cancel it entirely at any time. The Subscription Rights provided on account of a Claim may also be reduced by the Company to the extent required to ensure that the Rights Offering will be exempt from registration under the Securities Act pursuant to the Section 1145 Cutback.

As a result, it is not possible for Eligible Holders to calculate with certainty the extent of their full entitlement to Subscription Rights as of the Subscription Rights Record Date or the amount of Rights Offering Notes that it will receive on the Implementation Date.

Amounts held in escrow will not generate significant interest

All monies paid into escrow on account of the exercise price for the Subscription Rights will be deposited by the Escrow Agent in an escrow account. The subscription price in respect of Escrowed Notes will be similarly deposited. The funds held in each escrow account will be invested by the relevant escrow agent in savings accounts, short-term certificates of deposit or money market accounts of a bank, bank and trust company or national banking association or in short-term securities issued or fully guaranteed by the United States government. It is unlikely that such investments will yield more than nominal interest.

Holders of New ABH Common Stock will be subject to dilution resulting from the conversion of the Rights Offering Notes, which dilution may be significant

The issuance of shares of New ABH Common Stock upon conversion of some or all of the Rights Offering Notes will dilute the ownership interests of holders of New ABH Common Stock, including holders who have previously received shares of New ABH Common Stock upon conversion of the Rights Offering Notes. Because the Conversion Price of the Rights Offering Notes will be fixed as of the Implementation Date (subject to customary anti-dilution adjustments), any Eligible Holder that fails to exercise the full extent of its Subscription Rights may suffer dilution with respect to its shares of New ABH Common Stock as a result of the exercise of Subscription Rights by other Eligible Holders or the purchase of Rights Offering Notes by the Backstop Parties and the conversion of the Rights Offering Notes by them.

The closing of the Rights Offering is subject to a number of significant conditions

The closing of the Rights Offering is subject to the satisfaction or waiver of conditions precedent to the Backstop Commitment Agreement, which includes a condition that the Implementation Date occurs on or before October 15, 2010 (or such later date set forth in the Backstop Commitment Agreement). There can be no assurance that each of those conditions will be satisfied or waived before such date, if at all, or that the Plans will receive sanctions from the Bankruptcy Court and the Court, respectively.

In the event that the Rights Offering is not successfully completed as contemplated herein, the Subscription Rights will be cancelled and the exercise price paid to subscribe for Rights Offering Notes will be returned to the respective Eligible Holders without accrual or any payment of interest thereon.

Eligible Holders must act promptly and follow instructions carefully if they want to exercise their Subscription Rights

Eligible Holders are not obligated to exercise their Subscription Rights. However, the failure to validly exercise such rights prior to the Rights Offering Expiration Date will result in the permanent loss of the Subscription Rights. Eligible Holders and, if applicable, brokers, banks or other nominees acting on their behalf, who desire to purchase Rights Offering Notes in the Rights Offering must act promptly to ensure that all required certificates and payments are actually received by the Subscription Agent before the Rights Offering Expiration Date. The time period to exercise Subscription Rights is limited. If an Eligible Holder or its broker, bank or other nominee, as applicable, fails to complete and sign the required Subscription Forms, sends an incorrect payment amount or otherwise fails to follow the procedures that apply to the exercise of the Subscription Rights, the Company may, depending on the circumstances, reject the exercise of Subscription Rights or accept it only to the extent of the payment received.

Eligible Holders are responsible for the accuracy and completeness of Subscription Forms before the Rights Offering Expiration Date

Eligible Holders who wish to exercise their Subscription Rights to purchase Rights Offering Notes must ensure that the Subscription Form, and the payment of the applicable exercise price, are received by the Subscription Agent before the Rights Offering Expiration Date. The Subscription Agent will reject any Subscription Forms received after the Rights Offering Expiration Date. The Subscription Agent will not contact any Eligible Holder to seek clarification, correct or complete an incomplete or incorrect Subscription Form or to obtain complete payment of an incomplete payment of the exercise price. The Subscription Agent and the Company have the sole discretion to determine whether an exercise of Subscription Rights properly follows the exercise procedures.

In order to ensure that at the time of the distribution of the Rights Offering Notes, such notes are distributed to the holders of the related Claim(s), each Rights Offering Participant by returning the Subscription Form will be deemed to represent and warrant that such Rights Offering Participant will not transfer its Claim(s) prior to the Implementation Date without transferring the benefits of any rights related to such Claim(s), including the right to receive a distribution of the Rights Offering Notes.

Significant holders may be able to exercise control over Reorganized ABH and their interest may not align with those of certain other holders

Votes in respect of New ABH Common Stock may be controlled by a small number of holders. Assuming the conversion of all Rights Offering Notes (particularly upon the purchase of unsubscribed Rights Offering Notes under the Backstop Commitment Agreement of the Backstop Parties in full), the Backstop Parties may be in a position to materially impact control of Reorganized ABH after the Implementation Date, including the power to elect directors, approve significant mergers or other material corporate transactions or the sale of all or substantially all of the assets of Reorganized ABH, and to otherwise pass or block votes of holders of New ABH Common Stock. The interests of purchasers of Rights Offering Notes pursuant to the Rights Offering may not align with the interests of certain other holders, including the Backstop Parties, participating in this Rights Offering.

Material terms of the Backstop Commitment Agreement and the Rights Offering are subject to change

The terms of the Backstop Commitment Agreement and the Rights Offering, including the terms of the Rights Offering Notes themselves, are subject to amendment, from time to time, in accordance with the terms of the Backstop Commitment Agreement. Subject to the terms of the Backstop Commitment Agreement, the Company reserves the right to make amendments, including material amendments, to the Backstop Commitment Agreement and the Rights Offering, from and after the date hereof, without supplementing this Circular and by only filing such amendments with the Monitor. Accordingly, the creditors of the Company will have to make a decision as to whether to participate in the Rights Offering based only on the information disclosed at the time of making such decision.

Risk Factors Relating to the Rights Offering Notes

The substantial indebtedness of Reorganized ABH could prevent it from fulfilling its obligations under the Rights Offering Notes and may otherwise restrict its activities

Reorganized ABH will have a significant amount of indebtedness. At the Implementation Date, assuming all of the Rights Offering Notes are issued, it is expected that Reorganized ABH would have a total of approximately $1.5 billion of consolidated indebtedness outstanding, excluding any undrawn amounts under the ABL Exit Financing Facility, and consisting of $500 million of the Rights Offering Notes (excluding the Escrowed Notes, which amount may be up to $110 million), approximately $700 million under a Term Loan Exit Financing Facility and approximately $250 million of existing indebtedness at certain of the Company's Subsidiaries.

The outstanding indebtedness of Reorganized ABH, including under the Rights Offering Notes, could have important consequences. For example, it could:

- make it more difficult for Reorganized ABH to satisfy its obligations with respect to the Rights Offering Notes;

- limit Reorganized ABH's ability to obtain additional financing for funding its business strategy, capital expenditures, acquisitions, working capital or other purposes, or require it to agree to additional restrictions and limitations on its business operations and capital structure to obtain additional financing;
- limit Reorganized ABH's ability to refinance its debt;
- require Reorganized ABH to dedicate a substantial portion of its operating cash flow to service its debt, thereby reducing funds available for its business strategy, capital expenditures, acquisitions, working capital and other purposes;
- increase Reorganized ABH's vulnerability to adverse economic, regulatory and industry conditions and to interest rate fluctuations;
- limit Reorganized ABH's flexibility in planning for, or responding to, changing business and economic conditions, including reacting to the current global economic recession;
- place Reorganized ABH at a competitive disadvantage relative to its competitors with less indebtedness; and
- subject Reorganized ABH to financial and other restrictive covenants, which may cause an event of default and an acceleration of its indebtedness if Reorganized ABH fails to comply with those covenants and fails to cure the resulting event of default.

Also, a portion of the debt of Reorganized ABH is expected to be at variable interest rates, and if interest rates rise, its debt obligations could increase. If variable interest rates were to increase significantly, they could have a material adverse impact on the earnings and financial condition of Reorganized ABH.

Reorganized ABH also expects that it will be required to refinance its indebtedness. The ability of Reorganized ABH to refinance its indebtedness will depend on, among other things, its financial condition at the time, its financial performance, credit market conditions and the availability of financing. The ability of Reorganized ABH to refinance its indebtedness could be impaired if debt holders develop a negative perception of its long-term or short-term financial prospects. Such negative perceptions could result if Reorganized ABH suffers a decline in the level of its business activity, among other reasons. In addition, because of disruptions in the worldwide credit markets, the economic downturn and its impact on the business of Reorganized ABH or for other reasons, Reorganized ABH may not be able to obtain refinancing on commercially reasonable terms or at all. Failure to refinance its indebtedness could have a material adverse effect on Reorganized ABH and could require it to dispose of assets if it cannot refinance its indebtedness. In such a case, Reorganized ABH may be unable to sell some of its assets, or it may have to sell assets at a substantial discount from market value, either of which could materially adversely affect the results of operations and business of Reorganized ABH.

Reorganized ABH will depend on its Subsidiaries to distribute available cash to it, which it will need to service the Rights Offering Notes

Since Reorganized ABH will conduct a significant portion of its operations through its Subsidiaries, its cash flow and its consequent ability to meet its debt service obligations, including its obligations under the Rights Offering Notes and its other indebtedness, depend in part upon the earnings of its Subsidiaries and the distribution of those earnings, or upon intercompany credits, loans or other payments of funds by the Subsidiaries to Reorganized ABH. None of the Subsidiaries of Reorganized ABH that is not a guarantor of the Rights Offering Notes is obligated to make funds available to Reorganized ABH for payment of the Rights Offering Notes. Furthermore, agreements governing the indebtedness of the subsidiaries of Reorganized ABH may prohibit the payment of dividends or other transfers of cash or other assets from those subsidiaries to Reorganized ABH, so the ability of Reorganized ABH to access funds and assets in its subsidiaries to satisfy its debt service requirements may be limited. As a result, this structure may significantly limit the ability of Reorganized ABH to repay any interest and principal it owes on the Rights Offering Notes and the ability of Reorganized ABH and its subsidiaries to respond to changing business and economic conditions.

The Rights Offering Notes and the guarantees will be subordinated in right of payment to the Exit Loan Facilities and up to $200 million of additional indebtedness of Reorganized ABH and the Guarantors

The Rights Offering Notes and the guarantees provided by the wholly-owned U.S. Subsidiaries of Reorganized ABH (the "**Guarantors**") will be subordinated in right of payment to Reorganized ABH's and the Guarantors' obligations under the Exit Loan Facilities, which may include unsecured financings (and any replacement or refinancing thereof), and any other unsecured or secured senior debt issued thereafter in an amount not to exceed $200 million in the aggregate. Accordingly, if Reorganized ABH or a Guarantor is involved in a bankruptcy, liquidation, dissolution, reorganization or similar proceeding or upon a default in payment on, or the acceleration of, any indebtedness under the Exit Loan Facilities, the assets of Reorganized ABH and the Guarantors will not be available to pay obligations on the Rights Offering Notes until all indebtedness under the Exit Loan Facilities and up to $200 million of additional senior debt that may be issued has been paid in full. Reorganized ABH and the Guarantors may not have sufficient assets remaining to pay amounts due on any or all of the Rights Offering Notes then outstanding. In addition, the subordination provisions of the Rights Offering Notes will limit the exercise of remedies by holders of the Rights Offering Notes during the existence of a default or event of default under the Exit Loan Facilities.

The Rights Offering Notes and the guarantees will be effectively subordinated to any secured indebtedness of Reorganized ABH and the Guarantors to the extent of the assets securing such indebtedness

Holders of Reorganized ABH's and the Guarantors' existing and future secured indebtedness, including any secured indebtedness under the Exit Loan Facilities, will have claims that are prior to claims of the holders of the Rights Offering Notes to the extent of the value of the assets securing that other indebtedness. Certain indebtedness under the Exit Loan Facilities is expected to be secured by substantially all of Reorganized ABH's and the Guarantors' assets and is expected to be further collateralized by a pledge of all or a portion of the equity of various Subsidiaries of Reorganized ABH that are not Guarantors. In the event of any distribution or payment of the assets of Reorganized ABH or the Guarantors in any foreclosure, dissolution, winding up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have claims to those of assets of Reorganized ABH and the Guarantors that constitute their collateral that are prior to those of holders of the Rights Offering Notes. Holders of the Rights Offering Notes will participate ratably with all holders of Reorganized ABH's and the Guarantors' other unsecured and senior indebtedness, and potentially with all of Reorganized ABH's other general creditors, based upon the respective amounts owed to each holder or creditor, in Reorganized ABH's remaining assets. In any of the circumstances described in the preceding sentences, Reorganized ABH may not have sufficient assets to pay amounts due on the Rights Offering Notes. As a result, holders of Rights Offering Notes may receive less, ratably, than holders of secured indebtedness.

It is expected that upon emergence Reorganized ABH will have approximately $1.2 billion to $1.3 billion of secured indebtedness, consisting of borrowings outstanding under the Exit Loan Facilities, including any undrawn amounts under the ABL Exit Financing Facility. Reorganized ABH and the Guarantors will be permitted to borrow additional indebtedness, including senior debt and secured debt, under the terms of the indenture governing the Rights Offering Notes, and the Exit Loan Facilities and other indebtedness of Reorganized ABH will likely restrict, but will not completely prohibit, Reorganized ABH and the Guarantors from incurring additional indebtedness. Any additional secured debt may have a further negative effect on the ability of the holders of Rights Offering Notes to receive principal and interest on such Rights Offering Notes.

The Rights Offering Notes are structurally subordinated to the liabilities and preferred stock of the subsidiaries of Reorganized ABH that do not Guarantee the Rights Offering Notes

Not all of Reorganized ABH's Subsidiaries will guarantee the Rights Offering Notes. The Canadian Subsidiaries and other non-U.S. Subsidiaries of Reorganized ABH will not guarantee the Rights Offering Notes. As a result, the Rights Offering Notes will be structurally subordinated to all existing and future obligations, including indebtedness, and any preferred stock of the Subsidiaries that do not guarantee the Rights Offering

Notes, and the claims of such creditors of these Subsidiaries, including trade creditors, and holders of preferred stock will have effective priority as to the assets of these Subsidiaries over the holders of the Rights Offering Notes. In the event of a bankruptcy, liquidation or reorganization of any non-Guarantor Subsidiaries, holders of such effectively prior claims will generally be entitled to payment of such claims from the assets of those Subsidiaries before any assets are made available for distribution to Reorganized ABH as an equity holder in those Subsidiaries and in turn to Reorganized ABH's creditors.

The Conversion Price does not necessarily reflect Reorganized ABH's value

The Conversion Price is not necessarily an indication of the value of Reorganized ABH or the value of the New ABH Common Stock at the time of conversion. The Conversion Price is a function of an equity value of Reorganized ABH on a pro forma basis after giving effect to the consummation of the Plans (excluding New ABH Common Stock issuable upon conversion of Rights Offering Notes or issued as part of the Backstop Commitment Payment) and does not necessarily bear any relationship to the book value of Reorganized ABH's assets, past operations, cash flows, losses, financial condition or any other established criteria for value. After the Implementation Date, the New ABH Common Stock will trade at prices above or below the Conversion Price depending on various factors, including those described above.

The terms of the Rights Offering Notes may change

Subject to the terms of the Backstop Commitment Agreement, the Company reserves the right to seek amendments to the terms of the Rights Offering Notes, without any additional disclosure and such amendments shall be posted on the Monitor's Website. Such amendments may include changes to the material terms of the Rights Offering Notes, including increasing the principal amount of Rights Offering Notes outstanding, changing the maturity date and redemption terms. The Company reserves the right to make such amendments without supplementing this Circular. Accordingly, the creditors of the Company will have to make a decision as to whether to participate in the Rights Offering based only on the information disclosed at the time of making such decision.

The Rights Offering Notes will not be protected by restrictive covenants

The indenture governing the Rights Offering Notes will not contain any financial or operating covenants or restrictions on the payment of dividends (other than anti-dilution adjustments), the incurrence of indebtedness, the disposition of assets, the incurrence of Liens, affiliate transactions, the incurrence of limitations on the ability of subsidiaries to transfer property or make payments to Reorganized ABH or other Subsidiaries or the issuance or repurchase of securities by Reorganized ABH or any of its Subsidiaries. The indenture governing the Rights Offering Notes will contain no covenants or other provisions to afford protection to holders of the Rights Offering Notes in the event of a Fundamental Change involving Reorganized ABH, except to the extent the holders may require Reorganized ABH to repurchase the Rights Offering Notes. As a result, Reorganized ABH may take actions that are permitted under the indenture governing the Rights Offering Notes that may be materially disadvantageous to holders of the Rights Offering Notes.

The Rights Offering Notes will be subject to mandatory redemption during the first six months after the Implementation Date

In the event of either an asset sale resulting in more than $100 million of net cash proceeds to Reorganized ABH or the receipt by the Company of $20 million or more of subscription price in respect of Escrowed Notes, in each case during the six months after the Issue Date, on the six month anniversary of such Issue Date, Reorganized ABH will be required to apply such amounts to redeem Rights Offering Notes at a price equal to 105% of the par value of the Rights Offering Notes, plus accrued and unpaid interest to the redemption date, provided that (i) in the case of each such asset sale or payment of such subscription price, Reorganized ABH has minimum liquidity, after giving effect to such sale, receipt of proceeds and application of the net cash proceeds thereof, of at least $600 million, and (ii) Reorganized ABH is permitted to make such redemption by the agreements governing its outstanding indebtedness. Any such redemption will be made on a pro rata basis. Therefore, it is possible that holders of Rights Offering Notes will have a portion of their Rights Offering Notes mandatorily redeemed, and such holders will not have the ability to convert any such Rights Offering Notes in advance of any such redemption.

Reorganized ABH may not have sufficient cash to repurchase the Rights Offering Notes following a Fundamental Change or at maturity or to otherwise redeem the Rights Offering Notes

Upon a Fundamental Change, the holders of Rights Offering Notes will have the right to require Reorganized ABH to repurchase their Rights Offering Notes, in whole or in part, at a price equal to the accreted value of the principal amount of the Rights Offering Notes based on the original issue price (less the Upfront Payment) plus accrued and unpaid interest thereon to such repurchase date.

In the event of either an asset sale resulting in more than $100 million of net cash proceeds to Reorganized ABH or the receipt by the Company of $20 million or more of subscription price in respect of Escrowed Notes, in each case during the six months after the Issue Date, on the six month anniversary of the Issue Date, Reorganized ABH will be required to apply such amounts to redeem Rights Offering Notes at a price equal to 105% of the par value of the Rights Offering Notes, plus accrued and unpaid interest to the redemption date, provided that (i) in the case of each such asset sale or payment of such subscription price, Reorganized ABH has minimum liquidity, after giving effect to such sale, receipt of proceeds and application of the net cash proceeds thereof, of at least $600 million, and (ii) Reorganized ABH is permitted to make such redemption by the agreements governing its outstanding indebtedness.

Reorganized ABH may not have sufficient funds to pay the cash amounts required to redeem or repurchase the Rights Offering Notes, or pay the Rights Offering Notes at maturity and, in such circumstances, may not be able to arrange the necessary financing on favorable terms.

Even if Reorganized ABH is able to make such payments or repurchases, such action may adversely affect its financial condition and operating results. In addition, Reorganized ABH could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal amount of the Rights Offering Notes as a current rather than long-term liability, which would result in a material reduction of its net working capital. Lastly, Reorganized ABH's ability to repurchase the Rights Offering Notes may be limited by law, by regulatory authority or by the agreements governing its future indebtedness. Reorganized ABH's failure to pay any cash amounts to make the required repurchase would constitute an event of default under the indenture governing the Rights Offering Notes, which, in turn, could constitute an event of default under the Exit Loan Facilities and Reorganized ABH's other debt agreements or securities, thereby resulting in their acceleration and required prepayment, and further restrict Reorganized ABH's ability to make such payments and repurchases.

The definition of a Fundamental Change is limited and, therefore, the market price of the Rights Offering Notes may decline if Reorganized ABH enters into a transaction that is not a Fundamental Change under the indenture governing the Rights Offering Notes

The term Fundamental Change, as will be used in the indenture governing the Rights Offering Notes, will be limited and may not include every event that might cause the market price of the Rights Offering Notes to decline. As a result, the obligation of Reorganized ABH to repurchase the Rights Offering Notes upon a Fundamental Change may not preserve the value of the Rights Offering Notes in the event of a highly leveraged transaction, merger, acquisition, refinancing, restructuring, reorganization or similar transaction to the extent it does not constitute a Fundamental Change. In the event of any such transaction, the holders would not have the right to require Reorganized ABH to repurchase the Rights Offering Notes even though each of these transactions could increase the amount of its indebtedness, or otherwise adversely affect its capital structure or any credit ratings, and adversely affect the market price of the Rights Offering Notes. Furthermore, the repurchase right in the Rights Offering Notes triggered by a Fundamental Change could discourage a potential acquirer.

The Rights Offering Notes may not be converted until six months after the Issue Date

The Rights Offering Notes are convertible at any time on or after the date that is six months following the Issue Date. As a result, holders of the Rights Offering Notes will not be able to convert their Rights Offering Notes until after this period of time has elapsed, and therefore, may not be able to receive the value of the consideration into which their Rights Offering Notes would otherwise be convertible.

There is currently no trading market for the Rights Offering Notes, and an active liquid trading market for the Rights Offering Notes may not develop or, if it develops, be maintained

Prior to the Rights Offering, there has been no trading market for the Rights Offering Notes. Reorganized ABH does not intend to apply for listing of the Rights Offering Notes on any securities exchange or to arrange for quotation on any interdealer quotation system. Reorganized ABH cannot assure holders that an active trading market will develop for the Rights Offering Notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the Rights Offering Notes may be adversely affected. In that case a holder may not be able to sell its Rights Offering Notes at a particular time, at a favorable price, or both. Furthermore, Eligible Holders whose Claims are not held through DTC or CDS will be issued their Rights Offering Notes in a certificated form. Until such certificated notes are exchanged by the relevant holders for beneficial interests in a global note, such certificated notes might not trade fungibly or at the same prices as the Rights Offering Notes issued in the form of a beneficial interest in one or more global notes. In addition, the liquidity of the trading market in the Rights Offering Notes, and the market price quoted for the Rights Offering Notes, may be adversely affected by changes in the overall market for this type of security and by changes in the financial performance or prospects of Reorganized ABH or in the prospects for companies in its industry generally.

Any adverse rating of the Rights Offering Notes may cause their trading price to fall

Reorganized ABH does not intend to seek a rating on the Rights Offering Notes. Nevertheless, if a rating service were to rate the Rights Offering Notes and if such rating service were to lower its rating on the Rights Offering Notes below the rating initially assigned to the Rights Offering Notes or otherwise announces its intention to put the Rights Offering Notes on credit watch, the trading price of the Rights Offering Notes could decline. Any rating so assigned may not remain for any given period of time, and any such rating may be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes in the business of Reorganized ABH, so warrant. Such changes in ratings in turn could cause the liquidity or market value of the Rights Offering Notes to decline significantly.

Volatility in the market price and trading volume of New ABH Common Stock and sales of New ABH Common Stock and the anticipated conversion of the Rights Offering Notes into shares of New ABH Common Stock could adversely impact the trading price of the Rights Offering Notes and the New ABH Common Stock

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of the New ABH Common Stock could fluctuate significantly for many reasons, including in response to the risks described in this section, or for reasons unrelated to the operations of Reorganized ABH, such as reports by industry analysts, investor perceptions or negative announcements by its customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of the New ABH Common Stock would likely adversely impact the trading price of the Rights Offering Notes. The price of New ABH Common Stock could also be affected by possible sales of New ABH Common Stock by investors who view the Rights Offering Notes as a more attractive means of equity participation in Reorganized ABH and by hedging or arbitrage trading activity that may develop involving the New ABH Common Stock. This trading activity could, in turn, affect the trading price of the Rights Offering Notes.

In addition, any sales in the public market of any of the shares of New ABH Common Stock issuable upon conversion of the Rights Offering Notes could adversely affect prevailing market prices of New ABH Common Stock. Further, the anticipated conversion of the Rights Offering Notes into shares of New ABH Common Stock could depress the price of the shares of New ABH Common Stock. The market price of New ABH Common Stock could also decline as a result of sales of shares of New ABH Common Stock made after the Rights Offering or the perception that such sales could occur.

Holders of Rights Offering Notes will not be entitled to any rights with respect to New ABH Common Stock but will be subject to all changes made with respect to New ABH Common Stock

Holders of Rights Offering Notes will not be entitled to any rights with respect to New ABH Common Stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on New ABH Common Stock), but holders of Rights Offering Notes will be subject to all changes affecting New ABH Common Stock. Holders of Rights Offering Notes will be entitled to the rights afforded New ABH Common Stock only if and when shares of New ABH Common Stock are delivered to them upon the conversion of their Rights Offering Notes. For example, in the event that an amendment is proposed to Reorganized ABH's charter requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to a holder's receipt of shares of New ABH Common Stock upon the conversion of the Rights Offering Notes, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting the shares of New ABH Common Stock.

The Conversion Price of the Rights Offering Notes may not be adjusted for all dilutive events

The Conversion Price of the Rights Offering Notes is subject to adjustment for certain events, including, but not limited to, certain dividends on the shares of New ABH Common Stock, the issuance of certain rights, options or warrants to holders of the shares of New ABH Common Stock, subdivisions or combinations of the shares of New ABH Common Stock, certain distributions of assets, indebtedness, capital stock or cash to holders of the shares of New ABH Common Stock and certain issuer tender or exchange offers. The Conversion Price will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of shares of New ABH Common Stock for cash, that may adversely affect the trading price of the Rights Offering Notes and the New ABH Common Stock. A future event may occur that is adverse to the interests of the holders of the Rights Offering Notes and their value but does not result in an adjustment to the Conversion Price.

The Rights Offering Notes may contain a number of "embedded derivatives" for purposes of applicable accounting guidance under U.S. GAAP, which may result in additional volatility in the reported earnings of Reorganized ABH

The optional redemption and mandatory redemption features of the Rights Offering Notes may give rise to "embedded derivatives" for purposes of applicable accounting guidance under U.S. GAAP that will require separate accounting of those embedded derivatives at fair value. The change in fair value of the embedded derivatives will be reported in Reorganized ABH's consolidated statements of operations each quarter as operating gains or losses. The estimated fair value of the embedded derivatives will be affected by fluctuations in the price of the New ABH Common Stock and other factors that will be beyond the control of Reorganized ABH. As a result, changes in the fair value of the embedded derivatives may significantly affect the reported financial results of Reorganized ABH (without any underlying change in the business performance of Reorganized ABH) and increase the volatility of its reported results of operations.

The Rights Offering Notes and any shares of New ABH Common Stock issuable upon conversion of the Rights Offering Notes may be subject to significant restrictions on transfer if the holder of such securities is deemed to be an "underwriter" with respect to such securities under the Bankruptcy Code

Section 1145 of the Bankruptcy Code provides certain exemptions from the securities registration requirements of United States federal and state securities laws with respect to the distribution of securities under a plan. In reliance upon this exemption, the Rights Offering Notes to be issued in respect of Claims and the exercise of the Subscription Rights by Rights Offering Participants as provided in the Plans (but not securities received by persons deemed to be underwriters) will be exempt from the registration requirements of the Securities Act and of any state securities laws. In general, offers and sales of securities made in reliance on the exemption afforded under section 1145(a) of the Bankruptcy Code are deemed to be made in a public offering. Accordingly, such securities may be resold without registration pursuant to various exemptions provided by the respective laws of the several states and under the Securities Act or other federal securities laws, unless the holder is an "underwriter" with respect to such securities, as that term is defined in the Bankruptcy Code. Reorganized ABH does not intend to file a registration statement for the resale of the Rights Offering Notes or the shares of New ABH Common Stock issuable upon conversion of the Rights Offering Notes (except with respect to the Backstop Investors under the Backstop Commitment Agreement). Accordingly, any Rights Offering Notes or shares of New ABH Common Stock issuable upon conversion of the Rights Offering Notes held by an "underwriter" may only be offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of applicable federal and state securities laws. The restrictions on transfer applicable to the Rights Offering Notes and any shares of New ABH Common Stock issuable upon conversion of the Rights Offering Notes held by underwriters may affect such person's ability to resell such securities or reduce the price it receives in doing so.

Reorganized ABH may issue additional equity securities, which would lead to dilution of the issued and outstanding New ABH Common Stock

The issuance of additional equity securities or securities convertible into equity securities would result in dilution of stockholders' equity interests in Reorganized ABH. Reorganized ABH will likely be authorized to issue, without further stockholder approval, a significant number of shares of preferred stock in one or more series, which may give other stockholders dividend, conversion, voting, and liquidation rights, among other rights, which may be superior to the rights of holders of the New ABH Common Stock. In addition, Reorganized ABH will likely be authorized to issue, without further stockholder approval, a significant number of additional shares of New ABH Common Stock. In addition, a substantial number of shares of New ABH Common Stock will be reserved for issuance upon the exercise of stock options and upon conversion of the Rights Offering Notes. Reorganized ABH will also be authorized to issue, without further stockholder approval, securities convertible into either New ABH Common Stock or preferred stock. Reorganized ABH cannot predict the size of future issuances or the effect, if any, that they may have on the market price for the New ABH Common Stock. The issuance and sale of substantial amounts of equity securities or securities convertible into equity securities, or the perception that such issuances and sales may occur, could adversely affect the trading price of the Rights Offering Notes and the market price of the New ABH Common Stock and impair the ability of Reorganized ABH to raise capital through the sale of additional equity securities.

Holders may be subject to tax upon an adjustment to the Conversion Price of the Rights Offering Notes even though such holder does not receive a corresponding cash distribution

The Conversion Price of the Rights Offering Notes is subject to adjustment in certain circumstances, including upon the payment by Reorganized ABH of certain Cash distributions. An increase in the Conversion Price of the Rights Offering Notes may, depending on the circumstances, be deemed to be a distribution to a U.S. Holder. Any such deemed distribution will be taxed in the same manner as an actual distribution and may result in a Holder being deemed to receive a taxable dividend (without the receipt of cash), which would be subject to

U.S. federal income tax for a U.S. Holder, and, for a Non-U.S. Holder, would be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified under an applicable income tax treaty), which may be set off against subsequent payments on the Rights Offering Notes.

X. INCOME TAX CONSIDERATIONS

THE FOLLOWING SUMMARIES ARE OF A GENERAL NATURE ONLY AND ARE NOT INTENDED TO BE, NOR SHOULD THEY BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER. CONSEQUENTLY, HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR ADVICE AS TO THE TAX CONSIDERATIONS IN RESPECT OF THE CCAA PLAN HAVING REGARD TO THEIR PARTICULAR CIRCUMSTANCES.

A. Certain Canadian Federal Income Tax Considerations

The following is a summary of the principal Canadian federal income tax consequences of the CCAA Plan to an Affected Unsecured Creditor who, at all relevant times for purposes of the ITA, deals at arm's length with and is not affiliated with ABH, the Subsidiaries and Reorganized ABH, holds its Affected Unsecured Claims as capital property and will hold its New ABH Common Stock, the Subscription Rights and the Rights Offering Notes as capital property. The Affected Unsecured Claims, the New ABH Common Stock, the Subscription Rights and the Rights Offering Notes will generally be considered to be capital property to an Affected Unsecured Creditor unless either the Affected Unsecured Creditor holds (or will hold) such securities in the course of carrying on a business, or the Affected Unsecured Creditor has acquired (or will acquire) such securities in a transaction or transactions considered to be an adventure in the nature of trade. This summary does not address the Canadian federal income tax consequences of the receipt of any fees or payments including the Backstop Commitment Payment by the Backstop Parties in connection with the Backstop Commitment Agreement.

This summary does not apply to (i) an Affected Unsecured Creditor an interest in which is a "tax shelter investment" as defined in the ITA, (ii) an Affected Unsecured Creditor that is a "financial institution" for purposes of the "mark-to-market" rules as defined in the ITA, (iii) an Affected Unsecured Creditor that is a "specified financial institution" as defined in the ITA, (iv) an Affected Unsecured Creditor that has made the "functional currency" reporting election, or (v) a Canadian Holder (as defined below) in relation to which ABH or Reorganized ABH is a "foreign affiliate" as defined in the ITA. Such Affected Unsecured Creditors should consult with their own tax advisors.

This summary is based on the current provisions of the ITA, the regulations thereunder (the "**Regulations**") and the understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. The summary also takes into account all specific proposals to amend the ITA and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and assumes that all such Tax Proposals will be enacted in the form proposed. No assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. This summary does not take into account or anticipate any changes in Law or administrative policies or assessing practices of the CRA, whether by way of judicial, governmental or legislative action or decisions, nor does it address any provincial, territorial or foreign tax legislation or considerations.

This summary is of a general nature only, is not exhaustive of all Canadian federal income tax consequences and is not intended to be, nor should it be construed as, legal or tax advice to any particular Affected Unsecured Creditor. Affected Unsecured Creditors are urged to consult their own tax advisors as to the tax consequences to them of the CCAA Plan in their particular circumstances.

For purposes of the ITA, all amounts, including cost, proceeds of disposition, interest or dividends received and accrued must be determined in Canadian currency at applicable exchange rates as determined in accordance with the ITA. The amount of interest and any capital gain or capital loss of an Affected Unsecured Creditor may be affected by fluctuations in Canadian dollar exchange rates.

Residents of Canada

This portion of the summary applies to an Affected Unsecured Creditor who, for the purposes of the ITA and any applicable income tax treaty or convention, and at all relevant times, is or is deemed to be resident of Canada ("**Canadian Holder**"). Certain Canadian Holders whose Affected Unsecured Claims might not otherwise qualify as capital property may, in certain circumstances, treat such Affected Unsecured Claims as capital property by making an irrevocable election pursuant to subsection 39(4) of the ITA, to the extent such Affected Unsecured Claims are "Canadian securities" as defined in the ITA. However, the New ABH Common Stock, the Subscription Rights and the Rights Offering Notes are not Canadian securities for the purpose of the irrevocable election under subsection 39(4) of the ITA and, therefore, this election will not apply to Affected Unsecured Claims that are not Canadian securities and to the New ABH Common Stock, the Subscription Rights and the Rights Offering Notes. Canadian Holders are advised to consult with their own tax advisors regarding such election.

Exchange of the Affected Unsecured Claims

A Canadian Holder will be considered to have disposed of Affected Unsecured Claims upon the exchange of such Affected Unsecured Claims for (i) Cash or (ii) New ABH Common Stock and the Subscription Rights, as the case may be. Under the CCAA Plan, the (i) Cash or (ii) New ABH Common Stock and the Subscription Rights, as the case may be, will be allocated first to the principal amount of the Affected Unsecured Claims, and the balance, if any, to the accrued interest with respect to the Affected Unsecured Claims.

A Canadian Holder that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will generally be required to include in income the amount of interest accrued or deemed to accrue on the Affected Unsecured Claims up to the date on which the Affected Unsecured Claims are settled under the CCAA Plan (including the Restructuring Transactions) or that became receivable or was received on or before such date, to the extent that such amounts have not otherwise been included in the Canadian Holder's income for the taxation year or a preceding taxation year. Any other Canadian Holder, including an individual, will be required to include in income for a taxation year any interest on the Affected Unsecured Claims received or receivable by such Canadian Holder in the taxation year (depending upon the method regularly followed by the Canadian Holder in computing income) except to the extent that such amount was otherwise included in its income for the taxation year or a preceding taxation year. In addition, if such Canadian Holder has not otherwise included interest on the Affected Unsecured Claims in computing the Canadian Holder's income at periodic intervals of not more than one year, such Canadian Holder will be required to include in computing income for a taxation year any interest that accrues to the Canadian Holder on the Affected Unsecured Claims up to the end of any "anniversary day" (as defined in the ITA) in that taxation year to the extent such interest was not otherwise included in computing the Canadian Holder's income for that taxation year or a preceding taxation year. Generally, a Canadian Holder should be entitled to deduct in computing income for the year of disposition, amounts that were included in computing the Canadian Holder's income for the year of disposition or a preceding taxation year as interest in respect of the Affected Unsecured Claims, to the extent that such amounts were not received or receivable by the Canadian Holder and were not deducted by the Canadian Holder in computing income for the year of disposition or a preceding taxation year.

In general, a Canadian Holder will realize a capital gain (or capital loss) on the exchange of the Affected Unsecured Claims equal to the amount by which, in the case of a distribution in Cash, such amount of Cash received, or in the case of a distribution of New ABH Common Stock and Subscription Rights, the aggregate fair market value at the time of the exchange of the New ABH Common Stock and the Subscription Rights received, and in both cases, net of any amount included in the Canadian Holder's income as interest, exceeds (or is exceeded by) the adjusted cost base to the Canadian Holder of such Affected Unsecured Claims, plus any reasonable costs of disposition. The tax treatment of any capital gain (or capital loss) realized is described below under the heading "*Taxation of Capital Gains and Capital Losses*".

The adjusted cost base of the New ABH Common Stock and the Subscription Rights to the Canadian Holder will be equal to the fair market value at the time of the exchange of such New ABH Common Stock and the Subscription Rights.

Dividends on New ABH Common Stock

Any dividends received or deemed to be received on the New ABH Common Stock by a Canadian Holder that is an individual (including a trust) will be included in the individual's income and will not be subject to the gross-up and dividend tax credit rules in the ITA. Dividends received or deemed to be received on the New ABH Common Stock by a Canadian Holder that is a corporation will be included in computing the corporation's income and generally will not be deductible in computing the corporation's taxable income.

U.S. tax, if any, payable by a Canadian Holder in respect of dividends received on the New ABH Common Stock may be eligible for a foreign tax credit or deduction under the ITA to the extent and under the circumstances described in the ITA. Canadian Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own particular circumstances.

Disposition of New ABH Common Stock

A Canadian Holder will realize a capital gain (or capital loss) on a disposition or deemed disposition of New ABH Common Stock equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the adjusted cost base to the Canadian Holder of such New ABH Common Stock, plus any reasonable costs of disposition. The tax treatment of any such capital gain (or capital loss) is described below under the heading "*Taxation of Capital Gains and Capital Losses*".

Exercise of the Subscription Rights under the Rights Offering

No gain or loss will be realized on the exercise of the Subscription Rights under the Rights Offering. The cost to a Canadian Holder of the Rights Offering Notes acquired on the exercise of the Subscription Rights will be equal to the aggregate of the adjusted cost base of the Subscription Rights, if any, and the price paid to acquire the Rights Offering Notes under the Rights Offering.

At the time the Rights Offering Notes are issued, Reorganized ABH shall cause the Upfront Payment to be made to the Canadian Holders. The Canadian federal income tax consequences to a Canadian Holder of the receipt of the Upfront Payment are unclear and, consequently, Canadian Holders should consult their own tax advisors.

Taxation of Interest on the Rights Offering Notes

A Canadian Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will generally be required to include in income for a taxation year the amount of interest (including interest paid by issuing PIK Notes) accrued or deemed to accrue on the Rights Offering Notes to the end of the taxation year or that became receivable or was received by it before the end of that taxation year, to the extent such amounts have not otherwise been included in such Canadian Holder's income for the year or a preceding taxation year. Any other Canadian Holder, including an individual, will be required to include in income for a taxation year any interest (including interest paid by issuing PIK Notes) on the Rights Offering Notes received or receivable by such Canadian Holder in that taxation year (depending upon the method regularly followed by the Canadian Holder in computing income) except to the extent that such amount was otherwise included in its income for that taxation year or a preceding taxation year. In addition, if such Canadian

Holder has not otherwise included interest on the Rights Offering Notes in computing the Canadian Holder's income at periodic intervals of not more than one year, such Canadian Holder will be required to include in computing income for a taxation year any interest that accrues to the Canadian Holder on the Rights Offering Notes up to the end of any "anniversary day" (as defined in the ITA) in that year to the extent such interest was not otherwise included in computing the Canadian Holder's income for that taxation year or a preceding taxation year.

Sale, Redemption or Repayment of the Rights Offering Notes

On a disposition or a deemed disposition of the Rights Offering Notes (otherwise than on a conversion described under the heading "*Exercise of Conversion Privilege under the Rights Offering Notes*"), including repayment or redemption by Reorganized ABH, a Canadian Holder will generally be required to include in income the amount of interest accrued or deemed to accrue to the date of disposition or that became receivable or was received on or before the date of disposition, to the extent that such amounts have not otherwise been included in the Canadian Holder's income for the taxation year or a preceding taxation year.

Any amount paid to a Canadian Holder as a penalty or bonus because of the redemption or repayment of all or part of the principal amount of the Rights Offering Notes will be deemed to be received by the Canadian Holder as interest on the Rights Offering Notes and will be required to be included in computing the Canadian Holder's income as described above, to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that would otherwise have been paid or payable by Reorganized ABH on the Rights Offering Notes for periods ending after the payment of such amount.

In general, a disposition or a deemed disposition of the Rights Offering Notes will give rise to a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any amount included in the Canadian Holder's income as interest, exceed (or are exceeded by) the adjusted cost base to the Canadian Holder of the Rights Offering Notes, plus any reasonable costs of disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading "*Taxation of Capital Gains and Capital Losses*".

Exercise of Conversion Privilege under the Rights Offering Notes

Generally, a Canadian Holder who converts a Rights Offering Note into New ABH Common Stock (or New ABH Common Stock and Cash delivered in lieu of a fraction of a New ABH Common Stock) pursuant to the conversion privilege under the Rights Offering Note will be deemed not to have disposed of the Rights Offering Note and, accordingly, will not recognize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Canadian Holder who, upon conversion of a Rights Offering Note, receives cash not in excess of $200 in lieu of a fraction of a New ABH Common Stock may either treat this amount as proceeds of disposition of a portion of the Rights Offering Note, thereby recognizing a capital gain (or capital loss), or reduce the adjusted cost base of the New ABH Common Stock that the Canadian Holder receives on the conversion by the amount of the cash received.

On the conversion of a Rights Offering Note, a Canadian Holder will generally be required to include in computing its income for the taxation year in which the conversion occurs all interest that accrued on the Rights Offering Note to the date of conversion, except to the extent that such interest has otherwise been included in the Canadian Holder's income for that taxation year or a preceding taxation year.

The adjusted cost base to a Canadian Holder of the New ABH Common Stock acquired on the conversion of a Rights Offering Note will generally be equal to the adjusted cost base to the Canadian Holder of the Rights Offering Note immediately before the conversion. The adjusted cost base of New ABH Common Stock so acquired must be averaged with the adjusted cost base to the Canadian Holder of all New ABH Common Stock then held as capital property by the Canadian Holder for the purpose of calculating the adjusted cost base of such New ABH Common Stock.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**Taxable Capital Gain**") realized by a Canadian Holder for a taxation year must be included in the Canadian Holder's income in the year. A Canadian Holder is required to deduct one-half of any capital loss (an "**Allowable Capital Loss**") realized in the taxation year from Taxable Capital Gains realized in that year, and Allowable Capital Losses in excess of Taxable Capital Gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent year, from net Taxable Capital Gains realized in such years to the extent and under the circumstances described in the ITA.

Alternative Minimum Tax

Individuals (other than certain trusts) may be subject to an alternative minimum tax under the ITA upon realizing net capital gains.

Additional Refundable Tax

A Canadian Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including amounts in respect of interest, certain dividends and Taxable Capital Gains.

Offshore Investment Fund Property Rules

Former Bill C-10 contained proposed amendments to the ITA that would have introduced new rules regarding the taxation of certain interests in non-resident entities that constitute "foreign investment entities" and repealed certain existing tax rules with respect to "offshore investment fund property" (as defined in the ITA). However, Bill C-10 was not passed into law. As part of the March 4, 2010 Federal Budget (the "**2010 Federal Budget**"), the Minister of Finance (Canada) announced that, rather than implementing the previously proposed rules regarding foreign investment entities, it would retain existing tax rules with respect to "offshore investment fund property", with certain limited enhancements.

These rules could apply to a Canadian Holder in respect of New ABH Common Stock, Subscription Rights and Rights Offering Notes, as the case may be, held by the Canadian Holder ("**Property**") if: (1) the Property may reasonably be considered to derive its value, directly or indirectly, primarily from portfolio investments in certain specified assets; and (2) it may reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Canadian Holder acquiring, holding or having an interest in the Property was to derive a benefit from portfolio investments in such specified assets in such a manner that the taxes, if any, on the income, profits and gains from such assets for any particular year are significantly less than the tax that would have been applicable under Part I of the ITA if the income, profits and gains had been earned directly by such Canadian Holder.

Where these rules apply, a Canadian Holder generally will be required to include in income for each taxation year in which the Canadian Holder holds a Property the amount, if any, by which (i) an imputed return for the taxation year computed on a monthly basis and calculated as the product obtained when the Canadian Holder's "designated cost" (as defined in the ITA) of the Property at the end of the month is multiplied by 1/12th of the applicable prescribed rate for the period that includes such month, exceeds (ii) any income or other amounts included in computing the Canadian Holder's income for the year (other than a capital gain) in respect of the Property determined without reference to these rules. For these purposes, the designated cost to a Canadian Holder of a Property at any particular time in a taxation year will generally include, among other things, the cost to the Canadian Holder of the Property and the total of all amounts required to be included in computing the Canadian Holder's income for a preceding taxation year as imputed income in respect of the Property under these rules.

These rules are complex and their application depends, to a large extent, on the reasons for a Canadian Holder acquiring, holding or having an interest in New ABH Common Stock, Subscription Rights and Rights Offering Notes. Canadian Holders are urged to consult their own tax advisors regarding the application and consequences of these rules, including any changes thereto reflecting the 2010 Federal Budget, in their own particular circumstances.

Foreign Property Reporting

The ITA and the Regulations require a "specified Canadian entity", as defined in the ITA, to file an information return disclosing prescribed information where, at any time in a taxation year, the total cost amount of "specified foreign property" as defined in the ITA of the entity exceeds $100,000. For these purposes, a "specified Canadian entity" includes, with some exceptions, a taxpayer resident in Canada, other than a corporation or trust exempt from tax under Part I of the ITA. The New ABH Common Stock, the Subscription Rights and the Rights Offering Notes will be "specified foreign property" to a specified Canadian entity. In the 2010 Federal Budget, the Canadian Minister of Finance proposed that the existing reporting requirements with respect to "specified foreign property" be expanded so that more detailed information be available for audit use. Revised legislation reflecting such proposal has not yet been released. The reporting rules in the ITA are complex and this summary does not purport to explain all circumstances in which reporting may be required by any Canadian Holder. Accordingly, Canadian Holders should consult their own tax advisors regarding these reporting requirements including any expansion thereof pursuant to the aforementioned 2010 Federal Budget proposal.

Eligibility for Investments

Provided the New ABH Common Stock are listed on a "designated stock exchange" as defined in the ITA (which currently includes the NYSE, the NASDAQ and the TSX) at all relevant times, the New ABH Common Stock would be qualified investments under the ITA and the Regulations for trusts governed by registered retirement savings plans, registered education savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**") (collectively, the "**Investment Plans**"). The Rights Offering Notes would be qualified investments under the ITA and the Regulations for Investment Plans (other than a deferred profit sharing plan for which an employer is Reorganized ABH, or is an employer with whom Reorganized ABH does not deal at arm's length within the meaning of the ITA) provided that the New ABH Common Stock are at all relevant times listed on a designated stock exchange. The Subscription Rights would be qualified investments under the ITA and the Regulations for Investment Plans if the Rights Offering Notes are qualified investments and if Reorganized ABH is not an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing Investment Plan and Reorganized ABH deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing Investment Plan.

Should any particular New ABH Common Stock, Rights Offering Note or Subscription Rights not meet the conditions hereabove mentioned in order to be considered a qualified investment, Canadian Holders should consult their own tax advisors regarding the application of those rules under the ITA and the Regulations in their particular circumstances.

Notwithstanding the foregoing, if the New ABH Common Stock, the Subscription Rights and the Rights Offering Notes are "prohibited investments" for purposes of a TFSA, or if an "advantage" (as defined in the ITA) in relation to a TFSA is extended to the Canadian Holder or to a person who does not deal at arm's length with the Canadian Holder, the Canadian Holder of such account will be subject to penalty Taxes as set out in the ITA, and, based on Tax Proposals, other tax consequences may result. Generally, the New ABH Common Stock, the Subscription Rights and the Rights Offering Notes will not be a "prohibited investment" for a trust governed by a TFSA provided that the Canadian Holder of the TFSA deals at arm's length with Reorganized ABH for purposes of the ITA and does not have a "significant interest" (within the meaning of the ITA) in Reorganized ABH or in any corporation, partnership or trust that does not deal at arm's length with Reorganized ABH for purposes of the ITA. Canadian Holders of a TFSA are advised to consult their own tax advisors in this regard.

On April 30, 2010, the Minister released Tax Proposals that may impact TFSAs. Canadian Holders should consult their own tax advisors regarding the impact of these Tax Proposals.

Non-Residents of Canada

This portion of the summary applies to an Affected Unsecured Creditor that, for the purposes of the ITA and any applicable income tax treaty or convention and at all relevant times, is not and will not be deemed to be resident in Canada and does not use or hold the Affected Unsecured Claims and will not use or hold the New ABH Common Stock, the Subscription Rights and the Rights Offering Notes in carrying on a business in Canada (a "**Non-resident Holder**"). In addition, this summary does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank that carries on a Canadian banking business.

Exchange of the Affected Unsecured Claims

Upon the exchange by a Non-resident Holder of the Affected Unsecured Claims for (i) Cash or (ii) New ABH Common Stock and the Subscription Rights, as the case may be, no Taxes will be payable under the ITA by such Non-resident Holder.

Disposition of New ABH Common Stock

A disposition by a Non-resident Holder of New ABH Common Stock will not be subject to Canadian tax unless such New ABH Common Stock constitute "taxable Canadian property" to the Non-resident Holder at the time of the disposition and relief from taxation is not available under an applicable income tax treaty or convention.

The New ABH Common Stock will generally not be considered to be taxable Canadian property to a Non-resident Holder unless at any time during the sixty-month period immediately preceding the time of disposition, (1) not less than 25% of the issued shares of any class of shares of Reorganized ABH were owned by or belonged to the Non-resident Holder, persons with whom the Non-resident Holder did not deal at arm's length or any combination thereof, and (2) more than 50% of the fair market value of issued shares of Reorganized ABH was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) "Canadian resource properties" (as defined in the ITA), (iii) "timber resource properties" (as defined in the ITA), and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists.

Consequences relating to the Subscription Rights and the Rights Offering Notes

No Canadian tax consequences should arise in relation to the Subscription Rights and to the Rights Offering Notes, unless the Subscription Rights and the Rights Offering Notes constitute taxable Canadian property to the Non-resident Holder and relief from taxation is not available under applicable tax treaty or convention. The Subscription Rights and the Rights Offering Notes will constitute taxable Canadian property to a Non-resident Holder only if the New ABH Common Stock constitute taxable Canadian property to a Non-resident Holder. Non-resident Holders should consult their own tax advisors as to the Canadian tax consequences relating to the Subscription Rights and the Rights Offering Notes.

Consequences to the Company

The exchange of Affected Unsecured Claims for Cash or for New ABH Common Stock and the Subscription Rights, as the case may be, will result in the settlement or extinguishment of the Affected Unsecured Claims. The "forgiven amount", as defined in the ITA, arising from the settlement or extinguishment will reduce, in prescribed order, certain tax attributes of the relevant Subsidiaries that are resident in Canada for purposes of the ITA ("**Canadian Subsidiaries**"), including non-capital losses, net capital losses, cumulative eligible capital, undepreciated capital cost of depreciable property and the adjusted cost base of certain capital property (the "**Tax Shield**"). Generally, one half of the amount by which the forgiven amount exceeds the Tax Shield (such amount, the "**Excess**") will be required to be included in the relevant Canadian Subsidiaries income for the taxation year in which the Affected Unsecured Claims are settled under the CCAA Plan (including Restructuring Transactions), unless the Excess was otherwise assigned by such relevant Canadian Subsidiaries to other Canadian Subsidiaries that are "eligible transferees" as defined in the ITA for reduction of such other Canadian Subsidiaries' Tax Shield.

B. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain significant United States federal income tax consequences of the Plans to the Company and certain Holders of Affected Unsecured Claims. This description is for informational purposes only and, due to a lack of certain facts and of definitive judicial or administrative authority or interpretation, uncertainties exist with respect to various U.S. tax consequences of the Plans, as discussed herein. Only the principal consequences of the Plans for the Company and Holders are described below.

This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Tax Code**"), U.S. judicial decisions, administrative pronouncements and existing and proposed U.S. Treasury regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, which may result in U.S. federal income tax consequences different from those discussed below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plans. No rulings or determinations of the U.S. Internal Revenue Service (the "**IRS**") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plans and the discussion below is not binding on the IRS or such other authorities. In addition, a significant amount of time may elapse between the date of this Circular and the consummation of the Plans. Events occurring after the date of this Circular, including changes in Law and changes in administrative positions, could affect the U.S. federal income tax consequences of the Plans. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plans to the Company or any Holder. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

Except as otherwise specifically stated herein, this summary does not address any estate, gift, state, local, or foreign law tax consequences of the Plans. Furthermore, this discussion does not address all tax considerations that might be relevant to particular Holders in light of their personal circumstances or to persons that are subject to special tax rules. In addition, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of Holders, such as financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding Claims as part of a hedging, integrated or conversion transaction, constructive sale or "straddle", U.S. expatriates, persons subject to the alternative minimum tax, and dealers or traders in securities or currencies.

For purposes of this discussion, a "**U.S. Holder**" is a Holder that is: (i) an individual citizen or resident of the U.S. for U.S. federal income tax purposes; (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the U.S. or any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (a) if a court within the U.S. is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust, or (b) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

For purposes of this discussion, a "**Non-U.S. Holder**" is a Holder that is: (1) a nonresident alien individual; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) that is not created or organized under the Laws of the United States or any state thereof or the District of Columbia; or (3) a trust or estate other than a trust or estate described in the immediately preceding paragraph.

If a partnership or other pass-through entity is a Holder, the tax treatment of a partner or other owner generally will depend upon the status of the partner (or other owner) and the activities of the entity. Partners (or other owners) of pass-through entities that are Holders should consult their own tax advisors regarding the tax consequences of the Plans.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLANS ARE COMPLEX. THE FOLLOWING DISCUSSION IS FOR GENERAL INFORMATION ONLY, DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION, AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY HOLDER. NO OPINION OR REPRESENTATION WITH RESPECT TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO ANY SUCH HOLDER IS MADE. EACH HOLDER IS URGED TO CONSULT THE HOLDER'S OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES TO IT OF THE TRANSACTIONS CONTEMPLATED BY THE PLANS, INCLUDING THE APPLICATION OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS, AS WELL AS ANY APPLICABLE FOREIGN TAX LAWS, TO A HOLDER'S PARTICULAR SITUATION, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

TREASURY DEPARTMENT CIRCULAR 230. TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF TAX ISSUES HEREIN IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY A HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH HOLDER UNDER APPLICABLE TAX LAW; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS DESCRIBED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT ADVISOR.

U.S. Federal Income Tax Consequences to the Company

Generally, absent an exception, to the extent U.S. indebtedness is compromised or satisfied for less than its adjusted issue price, a U.S. corporation will realize cancellation of debt ("**COD**") income. However, a debtor is not required to include any amount of COD income in gross income if such debtor is under the jurisdiction of a court in a title 11 bankruptcy proceeding and the discharge of debt occurs pursuant to that proceeding (the "**Bankruptcy Exception**"). Instead, as the price for the exclusion of COD income under the foregoing rule, the Tax Code requires the debtor to reduce its tax attributes by the amount of COD income which is excluded from gross income as of the first day of the taxable year following the taxable year in which the discharge of indebtedness occurs.

As a result of consummation of the U.S. Plan, the Company's aggregate outstanding indebtedness will be substantially reduced. The Company expects to realize substantial COD income in connection with the U.S. Plan. The amount of such COD income realized by the Company will depend on the fair market value of the New ABH Common Stock and Subscription Rights. The Company expects to rely on the Bankruptcy Exception to exclude any COD income realized as the discharge of indebtedness would occur pursuant to the U.S. Plan. The Company's tax attributes will be reduced by the amount of COD income realized pursuant to complex ordering rules that apply to consolidated groups.

Applicable High-Yield Discount Obligations

It is expected that the Rights Offering Notes issued pursuant to the terms of the Rights Offering will be issued with significant original issue discount ("**OID**") and will be considered "applicable high yield discount obligations" ("**AHYDOs**"). If the Rights Offering Notes are AHYDOs, the Company will not be allowed a deduction for interest (including OID) accrued on the Rights Offering Notes for U.S. federal income tax purposes until such time as the Company actually pays such interest (including OID) in cash or in other property (other than stock or debt issued by the Company or by a person deemed to be related to the Company under Section 453(f)(1) of the Tax Code, which are considered paid only when the stock or debt is redeemed for cash or property other than such stock or debt). In addition, depending upon the yield to maturity on the Rights Offering Notes, the Company may not be entitled to deduct the portion of the OID corresponding to the disqualified yield at any time. The deferral and/or disallowance of deductions for payments of interest or OID on the Rights Offering Notes may reduce the amount of cash available to the Company to meet its obligations under the Rights Offering Notes.

U.S. Federal Income Tax Considerations for U.S. Holders

The following discussion describes certain U.S. federal income tax consequences of the transactions contemplated by the Plans to U.S. Holders of Affected Unsecured Claims and to U.S. Holders of New ABH Common Stock, Subscription Rights and Rights Offering Notes issued upon the exercise of any Subscription Rights. U.S. Holders should consult their own tax advisors for information that may be relevant to their particular situation and circumstances and the particular tax consequences of the transactions contemplated by the Plans.

The U.S. federal income tax consequences to a U.S. Holder (including the character, timing and amount of income, gain or loss recognized) will depend on, among other factors: (a) the manner in which the U.S. Holder acquired the Claim; (b) the length of time the U.S. Holder has held the Claim; (c) whether the U.S. Holder acquired the Claim at a discount; (d) whether the U.S. Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in current or prior years; (e) whether the U.S. Holder has previously included in taxable income accrued but unpaid interest with respect to the Claim; (f) the treatment of the Rights Offering; and (g) the U.S. Holder's method of accounting.

Tax Consequences to U.S. Holders of Affected Unsecured Claims that Receive Cash

In general, a U.S. Holder that receives Cash will recognize gain or loss in an amount equal to the difference between (a) the amount of any Cash received by such U.S. Holder in satisfaction of such Claim (other than any Claim for accrued but unpaid interest) and (b) the U.S. Holder's adjusted tax basis in such Claim (other than any Claim for accrued but unpaid interest). Where gain or loss is recognized by a U.S. Holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the U.S. Holder, whether the Claim constitutes a capital asset in the hands of the U.S. Holder and how long it has been held, whether the Claim was acquired at a market discount and whether and to what extent the U.S. Holder had previously claimed a bad debt deduction.

To the extent that any amount of Cash received by a U.S. Holder is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the U.S. Holder as interest income (to the extent not previously included in the U.S. Holder's gross income).

Tax Consequences to U.S. Holders of Affected Unsecured Claims that Receive New ABH Common Stock and Subscription Rights

Each U.S. Holder of Affected Unsecured Claims will receive shares of New ABH Common Stock and Subscription Rights in satisfaction of the Affected Unsecured Claims. In general (with the possible exception of Affected Unsecured Claims of ABH, discussed below), the exchange will be fully taxable to each U.S. Holder of Affected Unsecured Claims and each U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized by such U.S. Holder in the exchange and such U.S. Holder's adjusted tax basis in the Claims surrendered in the exchange. The amount that a U.S. Holder realizes in the exchange will equal the fair market value of the shares of New ABH Common Stock and Subscription Rights at the time of the exchange. A U.S. Holder's adjusted tax basis in the Claims surrendered in the exchange will be equal to the amount paid therefor, increased by any accrued OID and any market discount and reduced by any amortizable bond premium previously taken into account. A U.S. Holder's adjusted tax basis in the shares of New ABH Common Stock and Subscription Rights will be equal to their relative fair market values. A U.S. Holder's holding period in the New ABH Common Stock and Subscription Rights will begin on the day after the exchange. Any gain or loss realized will generally be capital gain or loss (except, as described below, to the extent of market discount) and will be long-term capital gain or loss if a U.S. Holder's holding period in the Claims at the time of the exchange exceeds one year.

With respect to Affected Unsecured Claims of ABH, if such Claims constitute securities for U.S. federal income tax purposes, the exchange of the Affected Unsecured Claims for New ABH Common Stock and Subscription Rights should qualify as a recapitalization under Section 368(a)(1)(E) of the Tax Code. In general, debt instruments with an initial term of less than five years are not treated as securities, whereas debt instruments with initial terms of greater than ten years are treated as securities. Debt instruments with terms between five years and ten years raise more complex issues. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security.

If the exchange does qualify as a recapitalization with respect to a U.S. Holder of Affected Unsecured Claims, such U.S. Holder generally should not recognize gain and will not be permitted to recognize loss with respect to the exchange. U.S. Holders may, however, recognize gain, but not loss, with respect to the Subscription Rights received, as applicable, in an amount equal to the lesser of (x) the excess of the fair market value of the New ABH Common Stock and Subscription Rights received by the U.S. Holder over the U.S. Holder's adjusted tax basis in its Affected Unsecured Claims surrendered, and (y) the fair market value of the Subscription Rights received by the U.S. Holder. U.S. Holders generally will take a basis in New ABH Common Stock and Subscription Rights equal to the sum of (i) the adjusted basis U.S. Holders had in the Affected Unsecured Claims that were exchanged and (ii) any gain recognized with respect to the receipt of the Subscription Rights. The aggregate basis should initially be allocated among the New ABH Common Stock and Subscription Rights based on their relative fair market values. The holding period of the New ABH Common Stock received should generally include the holding period of the Affected Unsecured Claims exchanged therefor. The exchange of Affected Unsecured Claims that do not constitute securities for New ABH Common Stock will be taxable to a U.S. Holder in the same manner as described above. U.S. Holders of Affected Unsecured Claims of ABH are urged to consult their own tax advisors regarding the particular United States federal income tax consequences to them of the exchange of Affected Unsecured Claims for New ABH Common Stock and Subscription Rights, including whether such exchange would qualify as a recapitalization.

(a) Accrued Interest

A portion of the consideration (whether stock or other consideration) received by U.S. Holders of the Claims may be attributable to accrued but unpaid interest with respect to such Claims. Such amount should be taxable to a U.S. Holder as ordinary interest income if the accrued interest has not been previously included in the U.S. Holder's gross income for U.S. federal income tax purposes. Conversely, a U.S. Holder generally recognizes a deductible loss to the extent that any accrued interest was previously included in income and is not paid in full. If the fair value of the consideration received by U.S. Holders of the Claims is not sufficient to satisfy fully all principal and interest on the Claims, the extent to which such consideration will be attributable to accrued but untaxed interest is unclear.

The Company will allocate for U.S. federal income tax purposes all distributions in respect of any Claim first to the principal amount of such Claim, and thereafter to accrued but unpaid interest, pursuant to the Plans. Certain legislative history indicates that an allocation of consideration between principal and interest provided for in a bankruptcy plan of reorganization is binding for U.S. federal income tax purposes. However, no assurance can be given that the IRS will not challenge such allocation. If a distribution with respect to a Claim is allocated entirely to the principal amount of such Claim, a U.S. Holder may be entitled to claim a loss to the extent of any accrued but unpaid interest on the Claim that was previously included in the U.S. Holder's gross income. U.S. Holders of Claims should consult their tax advisors regarding the proper allocation of the consideration received by them under the Plans, as well as the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

(b) Market Discount

The market discount provisions of the Tax Code may apply to certain U.S. Holders. In general, a debt obligation other than a debt obligation with a fixed maturity of one year or less that is acquired by a U.S. Holder in the secondary market (or, in certain circumstances, upon original issuance) is a "market discount bond" as to that U.S. Holder if its stated redemption price at maturity (or, in the case of a debt obligation having OID, its revised issue price) exceeds the U.S. Holder's adjusted tax basis in the debt obligation immediately after such U.S. Holder's acquisition of the debt obligation by more than a statutory *de minimis* amount. Gain recognized by a U.S. Holder upon a disposition of a "market discount bond" generally will be treated as ordinary interest income to the extent of the market discount accrued on such bond during the U.S. Holder's period of ownership, unless the U.S. Holder elected to include accrued market discount in taxable income currently. Absent such an election, a U.S. Holder of a market discount bond is required under the market discount rules of the Tax Code to defer deduction of all or a portion of the interest on indebtedness incurred or maintained to acquire or carry the bond. In such circumstances, the U.S. Holder will be allowed to deduct such interest, in whole or in part, on the disposition of such bond.

To the extent the debt instruments of ABH held by a U.S. Holder had been acquired with market discount and are exchanged for New ABH Common Stock in a recapitalization, any market discount that accrued on such debt instruments but was not recognized by the U.S. Holder may cause any gain recognized on the subsequent sale, exchange, redemption or other disposition of the New ABH Common Stock to be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instruments.

Ownership and Disposition of New ABH Common Stock

(a) Distributions of Cash or Property on New ABH Common Stock

Generally, the gross amount of any distribution of Cash or property made with respect to New ABH Common Stock will be includible by a U.S. Holder in gross income as dividend income to the extent that such distributions are paid out of the current or accumulated "earnings and profits" of ABH as determined under U.S. federal income tax principles. A distribution that is treated as a dividend for U.S. federal income tax purposes may qualify for the seventy percent (70%) dividends-received deduction if such amount is distributed to a U.S. Holder that is a corporation and that satisfies certain holding period and taxable income requirements, and may qualify for an eighty percent (80%) dividend-received deduction if such corporate U.S. Holder holds twenty percent (20%) or more of the outstanding stock (by voting power and value) of the distributing corporation.

A distribution in excess of ABH's current and accumulated earnings and profits will first be treated as a return of capital to the extent of a U.S. Holder's adjusted tax basis in New ABH Common Stock and will be applied against and reduce such basis dollar-for-dollar (thereby increasing the amount of gain and decreasing the amount of loss recognized on a subsequent taxable disposition of the New ABH Common Stock). To the extent that such distribution exceeds a U.S. Holder's adjusted tax basis in New ABH Common Stock the distribution generally will be treated as capital gain, subject to the "*Market Discount*" rules discussed above, and will be treated as long-term capital gain if the U.S. Holder's holding period in such stock exceeds one year as of the date of the distribution. Dividends received by non-corporate holders in taxable years beginning before January 1, 2011 may qualify for a reduced rate of taxation if certain holding period and other requirements are met.

(b) Sale, Exchange or Other Taxable Disposition of New ABH Common Stock

Upon the sale, retirement or other taxable disposition of a share of New ABH Common Stock, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference between the sum of cash plus the fair market value of any property received and the U.S. Holder's adjusted tax basis in such New ABH Common Stock, subject to the "*Market Discount*" rules discussed above. Such gain or loss generally will constitute capital gain or loss, and will be long-term capital gain or loss if at the time of the sale, exchange, retirement or other taxable disposition, the U.S. Holder held the share of New ABH Common Stock, for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations, as discussed below in "*Limitations on Use of Capital Losses*".

(c) Impact of New Legislation on Ownership and Disposition of New ABH Common Stock

Recently-enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of New ABH Common Stock.

Limitations on Use of Capital Losses

A U.S. Holder who recognizes capital losses as a result of consummation of the Plans or upon a subsequent disposition of New ABH Common Stock, will be subject to limitations on the use of such capital losses. For a non-corporate taxpayer, capital losses may be used to offset any capital gains (without regard to holding periods), and also to offset ordinary income to the extent of the lesser of (1) $3,000 ($1,500 for married individuals filing separate returns), or (2) the excess of the capital losses over the capital gains. A non-corporate taxpayer may carry over unused capital losses and apply them against future capital gains and, as set forth in the preceding sentence, a portion of such taxpayer's ordinary income for an unlimited number of years. For corporate holders, capital losses may only be used to offset capital gains. A corporate holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year, and may carry over unused capital losses for the five years following the capital loss year.

Exercise or Expiration of the Subscription Rights

A U.S. Holder generally will not recognize gain or loss upon the exercise of Subscription Rights. Rights Offering Notes that a U.S. Holder acquires pursuant to the exercise of the Subscription Rights will have a tax basis equal to the U.S. Holder's adjusted basis in the Subscription Rights so exercised, increased by any amount paid to exercise the Subscription Rights. If the Subscription Rights are allowed to lapse unexercised, a U.S. Holder will have a short-term capital loss equal to such holder's adjusted basis in the Subscription Rights. The deductibility of capital losses is subject to certain limitations, as discussed above in "*Limitations on Use of Capital Losses*".

Treatment of Upfront Payment under the Backstop Commitment Agreement

At the time the Rights Offering Notes are issued, pursuant to the Backstop Commitment Agreement, the Company shall cause the Upfront Payment to be made to Eligible Holders from the proceeds of the sale of such Rights Offering Notes. Although the tax treatment of this Upfront Payment is not entirely clear, the Company intends to treat the Rights Offering Notes as if they were sold to Eligible Holders for a purchase price with a discount equal to the amount of the Upfront Payment. In that case, such purchase price discount would be characterized as original issue discount that such Eligible Holder would include in income under the constant yield method over the term of the Rights Offering Notes as described below.

Ownership, Conversion and Disposition of Rights Offering Notes received upon Exercise of Subscription Rights

(a) Payments of Interest on Rights Offering Notes

Each payment of qualified stated interest (as defined below) on a Rights Offering Note (including any amount withheld as backup withholding tax) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

(b) Original Issue Discount

(i) Generally

A note with a term that exceeds one year will be treated as issued with OID if it has a term of more than one year and the "stated redemption price at maturity" of the note exceeds its "issue price" by more than the *de minimis* amount of ¼ of 1 percent of the "stated redemption price at maturity" multiplied by the number of complete years from the issue date of the note to its maturity.

The "stated redemption price at maturity" of the Rights Offering Notes will exceed the "issue price" of the Rights Offering Notes by more than a *de minimis* amount, and the Rights Offering Notes will therefore constitute discount notes issued with OID. Following is a summary of the OID rules and their application to the Rights Offering Notes.

The "issue price" of a note generally is the first price at which a substantial amount of the issue of which the note is a part is sold to persons other than bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers.

The "stated redemption price at maturity" of a note generally is the total amount of payments provided by the note other than "qualified stated interest" payments. Generally, an interest payment on a note is "qualified stated interest" if it is paid in cash (or property of the issuer other than debt) and is one of a series of stated interest payments on a note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the note. Qualified stated interest payable on the Rights Offering Notes will be taxable to a U.S. Holder when accrued or received in accordance with such U.S. Holder's normal method of accounting.

Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the note otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between stated interest payments. Thus, if the interval between payments varies during the term of a note, the value of the fixed rate on which payment is based generally must be adjusted to reflect a compounding assumption consistent with the length of the interval between payments.

Because the Rights Offering Notes will be issued with OID, a U.S. Holder will be required to include OID in gross income for U.S. federal income tax purposes as it accrues (regardless of a holder's method of accounting), which may be in advance of receipt of the cash attributable to that income. OID accrues under the constant-yield method, based on a compounded yield to maturity, as described below. Accordingly, a U.S. Holder generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

The annual amounts of OID includible in income by a U.S. Holder will equal the sum of the "daily portions" of the OID with respect to the Rights Offering Notes for each day on which a U.S. Holder owns the Rights Offering Notes during the taxable year. Generally, a U.S. Holder determines the daily portions of OID by allocating to each day in an "accrual period" a pro rata portion of the OID that is allocable to that accrual period. The term "accrual period" means an interval of time with respect to which the accrual of OID is measured and which may vary in length over the term of a note provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on either the first or last day of an accrual period.

The amount of OID allocable to an accrual period will be the excess of:

- the product of the "adjusted issue price" of the Rights Offering Note at the beginning of the accrual period and its "yield to maturity"

over

- the aggregate amount of any qualified stated interest payments allocable to the accrual period.

The adjusted issue price of a Rights Offering Note at the beginning of the first accrual period is its issue price, and, on any day thereafter, it is the sum of the issue price and the amount of OID previously included in gross income, reduced by the amount of any payment (other than a payment of qualified stated interest) previously made on the Rights Offering Notes. If an interval between payments of qualified stated interest on a Rights Offering Note contains more than one accrual period, then, when a U.S. Holder determines the amount of OID allocable to an accrual period, such U.S. Holder must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, a U.S. Holder must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. If all accrual periods are of equal length except for a shorter initial and/or final accrual period, a U.S. Holder can compute the amount of OID allocable to the initial period using any reasonable method; however, the OID allocable to the final accrual period will always be the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period.

OID will be calculated based on the assumption that interest on the Rights Offering Notes will be paid in Cash. It is not entirely clear what adjustments would be required if the Company were to pay interest in kind instead of in Cash.

(ii) Election to Treat All Interest as OID (Constant Yield Method)

A U.S. Holder may elect to include in gross income all interest that accrues on a Rights Offering Note using the constant-yield method described above, with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest. If a U.S. Holder makes this election in respect of a Rights Offering Note, when such U.S. Holder applies the constant-yield method:

- the issue price of a Rights Offering Note will equal its cost;
- the issue date of a Rights Offering Note will be the date it is acquired; and
- no payments on a Rights Offering Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Rights Offering Note for which it is made. A U.S. Holder may not revoke an election to apply the constant-yield method to all interest on a Rights Offering Note without IRS consent.

(iii) Applicable High Yield Discount Obligations

As indicated above, the Company expects that the Rights Offering Notes will constitute AHYDOs for U.S. federal income tax purposes. Consequently, to the extent the Company has current or accumulated earnings and profits, the disqualified portion of OID, as defined above, generally will be treated as a dividend to a U.S. Holder that may be subject to a dividends received deduction for corporate U.S. Holders. The dividends-received deduction is subject to a number of complex limitations. U.S. Holders are urged to consult their own tax advisor regarding the U.S. federal income tax consequences of holding Rights Offering Notes that are considered AHYDOs.

(c) Treatment of New Rights Offering Notes issued in respect of Rights Offering Notes

A newly distributed Rights Offering Note received in lieu of Cash interest on the existing Rights Offering Note is aggregated with the existing Rights Offering Note and will be treated as part of the existing Rights Offering Note with respect to which it was issued. Thus, the initial issue price of a newly distributed Rights Offering Note issued in respect of an existing Rights Offering Note likely will be determined by allocating the adjusted issue price, at the time of distribution, of the underlying Rights Offering Note between the newly distributed Rights Offering Note and the underlying Rights Offering Note in proportion to their respective principal amounts. A portion of the basis of such Rights Offering Note will be allocated to such newly issued Rights Offering Note and OID on such newly issued Rights Offering Note will accrue in the same manner as described above in the case of such Rights Offering Note. A U.S. Holder's holding period for any newly issued Rights Offering Notes issued with respect to an original Rights Offering Note will likely be identical to its holding period for the original Rights Offering Note.

(d) Conversion of Rights Offering Notes

In general, a U.S. Holder will not recognize income, gain or loss upon conversion of Rights Offering Notes into shares of New ABH Common Stock, except that the receipt of Cash in lieu of a fractional share of New ABH Common Stock will result in capital gain or loss (as described below).

A U.S. Holder's tax basis in New ABH Common Stock received upon conversion of Rights Offering Notes (other than in respect of accrued interest) will equal its adjusted basis in the Rights Offering Notes so converted, less any portion of such U.S. Holder's tax basis allocable to Cash received in lieu of a fractional share. The holding period will include the period during which a U.S. Holder held the Rights Offering Notes prior to conversion. Cash received in lieu of a fractional share of New ABH Common Stock should be treated as a payment in exchange for the fractional share, and a U.S. Holder generally will recognize taxable gain or loss on the receipt of Cash in lieu of a fractional share in an amount equal to the difference between the amount of Cash received and such holder's tax basis in the fractional share.

(e) Constructive Dividends

An increase in the conversion rate of the Rights Offering Notes may, depending on the circumstances, be deemed to be a distribution to a U.S. Holder. Any deemed distribution will be taxed in the same manner as an actual distribution. A U.S. Holder may be deemed to receive a taxable dividend if the conversion rate of the Rights Offering Notes is adjusted as described under the terms of the Rights Offering. A U.S. Holder's tax basis in a Note would be increased by the amount of any such deemed dividend.

(f) Sale, Exchange or Retirement of the Rights Offering Notes

Upon the sale, exchange, retirement or other disposition of a Rights Offering Note, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the sum of cash plus the fair market value of any property received (other than any amount received that is attributable to accrued but unpaid interest not previously included in income, which will be taxable as ordinary interest income) and its adjusted tax basis in the Rights Offering Note. A U.S. Holder's tax basis in a Rights Offering Note generally will be the amount that such holder paid for the Subscription Rights, increased by the amount of the price paid to convert the Subscription Rights and any OID previously included in income, decreased by the amount of any payments (other than payments of qualified stated interest) on the Rights Offering Note. Any capital gain or loss will be long-term capital gain or loss if at the time of the sale, exchange, retirement or other taxable disposition of the Rights Offering Note, a holder held the Rights Offering Note for more than one year. Long-term capital gains of an individual taxpayer for taxable years beginning on or before December 31, 2010 will be taxed at a maximum rate of 15%. For taxable years beginning after December 31, 2010, subject to the discussion below under "*Impact of New Legislation on Ownership and Disposition of Rights Offering Notes*" such long-term capital gains will be taxed at a maximum rate of 20%. The deductibility of capital losses is subject to certain limitations, as discussed above in "*Limitations on Use of Capital Losses*".

(g) Impact of New Legislation on Ownership and Disposition of Rights Offering Notes

Recently-enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Rights Offering Notes.

Information Reporting and Backup Withholding

Certain payments generally are subject to information reporting by the payor to the IRS ("**Reportable Payments**"). Moreover, Reportable Payments are subject to backup withholding (currently at a rate of twenty eight percent (28%)) under certain circumstances. Under the backup withholding rules set forth in the Tax Code, a U.S. Holder receiving a payment or distribution of cash or other property pursuant to the Plans, pursuant to distributions on New ABH Common Stock or certain payments of principal of, and interest on, a Rights Offering Note, and the proceeds of disposition of a Note before maturity may be subject to backup withholding with respect to such payment or distribution unless it: (i) is an exempt recipient, such as a corporation, and when required, demonstrates this exemption, or (ii) timely provides a correct U.S. taxpayer identification number and makes certain certifications under penalties of perjury.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against the U.S. Holder's U.S. federal income tax liability, and it may obtain a refund of excess amounts withheld under the backup withholding tax rules by timely filing an appropriate claim for refund with the IRS.

U.S. Federal Income Tax Considerations for Non-U.S. Holders

This subsection applies to a Holder who is a Non-U.S. Holder. The rules governing U.S. federal income taxation of Non-U.S. Holders are complex. Each non-U.S. Holder should consult with its own tax advisor to determine the effect of U.S. federal, state, local and foreign income tax Laws, as well as treaties, with regard to its participation in the transactions contemplated by the Plans and its ownership of New ABH Common Stock, Subscription Rights and any Rights Offering Notes issued upon the exercise of the Subscription Rights, including any reporting requirements.

Tax Consequences of Exchange of Affected Unsecured Claims for Cash

Subject to the discussion below in "Information Reporting and Backup Withholding", any gain or loss realized by a Non-U.S. Holder in connection with the receipt of the Cash Payment that is not effectively connected with the conduct of a U.S. trade or business should not be subject to U.S. federal income tax, except possibly to the extent the Cash Payment is received in respect of any accrued and unpaid interest on the Affected Unsecured Claims. With respect to any portion of the Cash Payment received in respect of such accrued and unpaid interest, a Non-U.S Holder will not be subject to U.S. federal income tax if:

- The Non-U.S. Holder did not own, actually or constructively, for U.S. federal income tax purposes, 10% or more of the total combined voting power of all classes of the Company's voting stock;
- The Non-U.S. Holder is not, for U.S. federal income tax purposes, a controlled foreign corporation related, directly or indirectly, to the Company through stock ownership under applicable rules of the Tax Code;
- The Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Tax Code; and
- the certification requirement, as described below, is fulfilled with respect to the beneficial owner of the Affected Unsecured Claim.

The certification requirement described above will be fulfilled if either (A) a Non-U.S. Holder provides to the Company or its paying agent an IRS Form W-8BEN (or successor form), signed under penalties of perjury, that includes such holder's name and address and a certification as to such holder's non-U.S. status, or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business holds the Affected Unsecured Claim on behalf of the beneficial owner and provides a statement to the Company or its paying agent, signed under penalties of perjury, in which the organization, bank or financial institution certifies that it has received an IRS Form W-8BEN (or successor form) from the non-U.S. beneficial owner or from another financial institution acting on behalf of such beneficial owner and furnishes the Company or its paying agent with a copy thereof and otherwise complies with the applicable IRS requirements. Other methods might be available to satisfy the certification requirements described above, depending on a Non-U.S. Holder's particular circumstances.

The gross amount of payments of interest that do not qualify for the exception from withholding described above (the "portfolio interest exemption") will be subject to United States withholding tax at a rate of 30% unless (A) a Non-U.S. Holder provides a properly completed IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under an applicable tax treaty, or (B) such interest is effectively connected with such Non-U.S. Holder's conduct of a United States trade or business and such Non-U.S. Holder provides a properly completed IRS Form W-8ECI (or successor form).

Tax Consequences of Exchange of Affected Unsecured Claim for the New ABH Common Stock and Subscription Rights

Subject to the discussion below in "*Information Reporting and Backup Withholding*", any gain or loss realized by a Non-U.S. Holder in connection with the assignment of an Affected Unsecured Claim to a debtor and the receipt of New ABH Common Stock and Subscription Rights, as applicable, pursuant to the Plans should not be subject to U.S. federal income tax unless:

- the gain or loss is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the U.S. (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment that such Non-U.S. Holder maintains within the U.S.), in which case the gain or loss will be treated in the manner described below in "*Effectively Connected Income and Loss*";
- the Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more during the taxable year that includes the date of the assignment of the Claim to the Debtors, and certain other conditions are met, in which case the gain (reduced by any U.S.-source capital losses) will be subject to thirty percent (30%) tax (subject to possible reduction if provided by treaty); or
- the Non-U.S. Holder is subject to the Tax Code provisions applicable to certain former citizens or residents.

Distributions on New ABH Common Stock

Distributions of cash and property that ABH makes in respect of New ABH Common Stock will constitute dividends for U.S. federal income tax purposes to the extent of its current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions of cash and property that constitute dividends for U.S. federal income tax purposes generally will be subject to U.S. federal withholding at a thirty percent (30%) rate unless a reduced rate is prescribed by an applicable income tax treaty. If the amount of a distribution exceeds ABH's current and accumulated earnings and profits, such excess first will be treated as a return of capital to the extent of a Non-U.S. Holder's tax basis in the New ABH Common Stock and thereafter will be treated as gain from the disposition of such share of New ABH Common Stock, subject to tax as described below in "*Sale, Exchange or Disposition of New ABH Common Stock, Subscription Rights and Rights Offering Notes*".

Subject to the discussion of recently-enacted legislation below, in order to obtain a reduced rate of U.S. withholding tax under an applicable income tax treaty, a Non-U.S. Holder will be required to provide a properly executed IRS Form W-8BEN certifying its entitlement to benefits under the treaty. If a Non-U.S. Holder is eligible for a reduced rate of U.S. withholding tax under a treaty, the Non-U.S. Holder may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS. Each Non-U.S. Holder should consult its own tax advisor regarding its possible entitlement to benefits under a treaty.

Recently-enacted legislation generally imposes a U.S. withholding tax of 30% on payments to certain foreign entities, after December 31, 2012, of U.S.-source dividends and the gross proceeds from dispositions of stock that produces U.S.-source dividends, unless various U.S. information reporting and due diligence requirements that are different from, and in addition to, the beneficial owner certification requirements described above have been satisfied. Non-U.S. Holders should consult their own tax advisors regarding the effect, if any, of this legislation on their ownership and sale or disposition of New ABH Common Stock.

The U.S. federal withholding tax described above will not apply to dividends paid to a Non-U.S. Holder if such dividends represent U.S. trade or business income for the Non-U.S. Holder and the Non-U.S. Holder provides a properly executed IRS Form W-8ECI certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the U.S., as the dividends will be subject to tax as described below under "*Effectively Connected Income and Loss*".

Ownership of the Rights Offering Notes Issued upon Exercise of the Subscription Rights

Subject to the discussion below in "*Information Reporting and Backup Withholding*", payments of interest on a Note (including OID) to a Non-U.S. Holder that are not effectively connected with the conduct of a U.S. trade or business generally will not be subject to U.S. federal income tax if:

- the Non-U.S. Holder does not own, actually or constructively, for U.S. federal income tax purposes, 10% or more of the total combined voting power of all classes of the Company's voting stock;
- the Non-U.S. Holder is not, for U.S. federal income tax purposes, a controlled foreign corporation related, directly or indirectly, to the Company through stock ownership under applicable rules of the Tax Code;
- the Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Tax Code; and
- the certification requirement, as described below, is fulfilled with respect to the beneficial owner of the Note.

The certification requirement described above will be fulfilled if either (A) a Non-U.S. Holder provides to the Company or its paying agent an IRS Form W-8BEN (or successor form), signed under penalties of perjury, that includes such holder's name and address and a certification as to such holder's non-U.S. status, or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business holds the Note on behalf of the beneficial owner and provides a statement to the Company or its paying agent, signed under penalties of perjury, in which the organization, bank or financial institution certifies that it has received an IRS Form W-8BEN (or successor form) from the non-U.S. beneficial owner or from another financial institution acting on behalf of such beneficial owner and furnishes the Company or its paying agent with a copy thereof and otherwise complies with the applicable IRS requirements. Other methods might be available to satisfy the certification requirements described above, depending on a holder's particular circumstances.

The gross amount of payments of interest that do not qualify for the exception from withholding described above (the "portfolio interest exemption") will be subject to United States withholding tax at a rate of 30% unless (A) a Non-U.S. Holder provides a properly completed IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under an applicable tax treaty, or (B) such interest is effectively connected with such Non U.S. Holder's conduct of a United States trade or business and such holder provides a properly completed IRS Form W-8ECI (or successor form).

Recently-enacted legislation generally imposes a U.S. withholding tax of 30% on payments to certain foreign entities, after December 31, 2012, of U.S.-source interest and the gross proceeds from dispositions of debt instruments that produce U.S.-source interest, unless various U.S. information reporting and due diligence requirements that are different from, and in addition to, the beneficial owner certification requirements described above have been satisfied. Although these additional requirements will generally not apply to an obligation that is outstanding on March 18, 2012, there is some uncertainty regarding how these rules might be applied in the event of a subsequent modification of an obligation that is outstanding on such date. Non-U.S. Holders should consult their own tax advisors regarding the effect, if any, of this legislation on their ownership and sale or disposition of Rights Offering Notes.

Effectively Connected Income and Loss

If a Non-U.S. Holder is engaged in a trade or business in the U.S. and if dividends received in respect of New ABH Common Stock; gain or loss realized on the disposition of a share of New ABH Common Stock, Subscription Rights or Rights Offering Notes; or fee income received for participating in the Rights Offering are "effectively connected" with the conduct of such U.S. trade or business, any such dividends, gain or loss realized by a Non-U.S. Holder will be subject to full net-basis U.S. federal income tax in the same manner as if the Non-U.S. Holder were a U.S. Holder, unless an applicable income tax treaty provides otherwise. In addition, if the Non-U.S. Holder is a foreign corporation, the Non-U.S. Holder may also be subject to a "branch profits tax" on earnings and profits effectively connected with such U.S. trade or business (subject to certain adjustments) at a rate of thirty percent (30%), unless the branch profits tax is reduced or eliminated by an applicable income tax treaty. Even though any such effectively connected income would be subject to income tax, and might also be subject to branch profits tax, it would not be subject to withholding tax if the Non-U.S. Holder satisfied the applicable certification requirements described above. Non-U.S. Holders should discuss the applicability of the "effectively connected" rules with their tax advisors.

Sale, Exchange or Disposition of New ABH Common Stock, Subscription Rights and Rights Offering Notes

Subject to the discussion above concerning potential 30% withholding on payments to certain foreign entities after December 31, 2012 and to the discussion below concerning backup withholding, if a Non-U.S. Holder owns New ABH Common Stock and Subscription Rights (or Rights Offering Notes issued upon conversion of Subscription Rights), the Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to any gain or loss realized on the sale, exchange or other taxable disposition of such New ABH Common Stock and Subscription Rights (or Rights Offering Notes), unless:

- the Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of disposition, and certain other conditions are met;
- such gain represents accrued but unpaid interest not previously included in income, in which case the rules regarding interest would apply; or
- such gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (see "*Effectively Connected Income and Loss*").

Information Reporting and Backup Withholding

Unless certain exceptions apply, the Company must report annually to the IRS and to each Non-U.S. Holder the amount of any dividends and interest paid to the Non-U.S. Holder (whether such dividend income is subject to U.S. withholding tax or is exempt from such tax pursuant to an income tax treaty). Copies of these information returns may also be made available under the provisions of a specific treaty or other agreement to the tax authorities of the country in which a Non-U.S. Holder resides.

Under current U.S. federal income tax Law, backup withholding tax will not apply to payments of dividends and interest by the Company or its paying agent if the Non-U.S. Holder provides a properly executed IRS Form W-8BEN (or successor form), or otherwise establishes its eligibility for an exemption, provided that the Company or its paying agent, as the case may be, does not have actual knowledge or reason to know that the payee Non-U.S. Holder is a U.S. person.

Backup withholding is not an additional tax. Any amounts withheld from a payment to a Non-U.S. Holder under the backup withholding rules will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the holder furnishes the required information to the IRS. A Non-U.S. Holder should consult its tax advisor regarding the application of information reporting and backup withholding in such holder's particular situation, the availability of an exemption from backup withholding and the procedure for obtaining such an exemption, if available.

XI. OTHER CONSIDERATIONS

A. New ABH Common Stock

The New ABH Common Stock to be issued pursuant to the Plans will be duly authorized, validly issued, fully paid and nonassessable. Each holder of New ABH Common Stock will be entitled to one vote per outstanding share with respect to the election of directors and on all other matters submitted to the vote of the stockholders. The holders of New ABH Common Stock will be entitled to receive dividends as may be declared from time to time by the Board out of funds legally available for dividend payments, subject to any dividend preferences of any holders of any preferred stock. In the event of a liquidation, dissolution or winding up, after full payment of all liabilities and liquidation preferences of any preferred stock, the holders of New ABH Common Stock will be entitled to share ratably in any distributions of any remaining assets or the proceeds thereof. The New ABH Common Stock will have no preemptive or conversion rights or other subscription rights.

Reorganized ABH's certificate of incorporation and by-laws setting out, among other things, the definitive terms of the New ABH Common Stock, including the terms described above, the number of authorized shares and the par value will be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date.

B. Rights Offering Notes

The definitive terms of the Rights Offering Notes will be posted on the Monitor's Website on or before the CCAA Plan Supplement Filing Date.

C. Canadian Securities Law Considerations

Canadian securities Laws provide for a specific statutory exemption from the prospectus requirements when securities are issued or distributed in connection with either (i) a reorganization or arrangement that is under a statutory procedure, or (ii) a reorganization or arrangement that (a) is described in an information circular made pursuant to applicable regulations or in a similar disclosure record and the information circular or similar disclosure record is delivered to each security holder whose approval of the reorganization or arrangement is required before it can proceed and (b) is approved by the securityholders referred to in (a). The Applicants believe that the issuance and distribution of the New ABH Common Stock under the U.S. Plan and the CCAA Plan to any Canadian resident and of Subscription Rights to Rights Offering Participants and to the Backstop Parties pursuant to the Rights Offering fall within one of the statutory exemptions under Canadian securities Laws described in this paragraph and are thus exempt from the prospectus requirements under Canadian securities Laws.

The issuance and distribution of Rights Offering Notes upon the exercise of the Subscription Rights by the Rights Offering Participants and the Backstop Parties and of New ABH Common Stock upon the conversion of such Rights Offering Notes in accordance with their respective terms also fall within statutory exemptions under Canadian securities Laws and are thus exempt from the prospectus requirements. For the purposes herein, the shares of New ABH Common Stock (including the shares of New ABH Common Stock issuable upon the conversion of Rights Offering Notes) and the Rights Offering Notes issuable upon the exercise of the Subscription Rights are referred to as the "**New Securities**".

Under Canadian securities Laws, once issued, the New Securities will, except for "control distributions" described below, be generally freely tradeable in Canada without the need for the holder of such New Securities to prepare and file a prospectus or rely on an exemption from the prospectus requirements, provided (i) the issuer is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade, (ii) no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade, (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade, and (iv) if the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation. Reorganized ABH will not have been a reporting issuer for any period prior to the Implementation Date. However, ABH is currently a reporting issuer in each of the provinces of Canada and it is currently anticipated that, at the Implementation Date, it will remain a reporting issuer and will have been a reporting issuer for the four months preceding the Implementation Date in each of the provinces of Canada. Under Canadian securities Laws, a holder of New Securities may include the period of time that ABH was a reporting issuer in a jurisdiction of Canada immediately prior to the Implementation Date in determining the period of time that Reorganized ABH was a reporting issuer in a jurisdiction of Canada immediately preceding the trade by such holder.

If the resale or trade of the New Securities constitutes a "control distribution", then any resale or trade of the New Securities would require either (i) the preparation and filing of a prospectus in the relevant Canadian jurisdiction(s) in order to qualify such resale or trade for public distribution in Canada and render the subject New Securities freely tradeable in such Canadian jurisdiction(s), (ii) in the absence of a Canadian prospectus, the reliance on a separate statutory or discretionary exemption from the applicable prospectus requirements for the resale or trade of the New Securities, or (iii) the giving of notice and filing of a prescribed form with the CSA at least seven days before the first resale or trade that is part of the control distribution indicating the selling security holder's intention to distribute securities and particulars of the proposed trade, including the number and class of securities proposed to be sold and whether the sale will occur privately or on an exchange or market.

In general terms, a "control distribution" is a distribution effected by a "control person", being (i) a Person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and, if a Person or company holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the Person or company is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer, or (ii) each Person or company in a combination of Persons or companies, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and, if a combination of Persons or companies holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the combination of Persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer.

Given the complex and subjective nature of the question of whether a particular holder may be a "control person" under Canadian securities Laws, the Applicants make no representation concerning the right of any Person to trade in the New Securities in Canada. The Applicants recommend that potential recipients of the New Securities consult their own counsel concerning whether they may freely trade the New Securities in Canada in compliance with applicable Canadian securities Laws.

D. UNITED STATES SECURITIES LAW CONSIDERATIONS

Federal

The New ABH Common Stock to be issued and delivered under the CCAA Plan to any Person subject to the U.S. securities Laws and the exercise of the Subscription Rights by Eligible Holders as provided in the CCAA Plan but not the Unsubscribed Notes, Escrowed Notes or Rights Offering Notes received by Persons deemed to be "underwriters", as defined in Section 2(a)(11) of the U.S. Securities Act will be issued in reliance upon Section 3(a)(10) of the U.S. Securities Act which, among other things, exempts from the registration requirements thereof securities issued in exchange for one or more outstanding securities, claims or property interests where the terms and conditions of the issuance and exchange have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom such securities will be issued have the right to appear. The Court is required by the CCAA to conduct a hearing to determine the fairness of the terms and conditions of the CCAA Plan, including the proposed issuance of securities thereunder. The Court has granted the Creditors' Meeting Order, as set out in Appendix D – "*Creditors' Meeting Order and Cross-border Voting Protocol*" to this Circular, and subject to the approval of the CCAA Plan by the Affected Unsecured Creditors, the Court will hold a hearing on the fairness of the CCAA Plan on or about September 8, 2010 prior to entering the Sanction Order.

The New ABH Common Stock received under the CCAA Plan and the exercise of the Subscription Rights by Eligible Holders as provided in the CCAA Plan, but not the Unsubscribed Notes or Escrowed Notes, will be freely transferable under United States federal securities Laws, except that the New ABH Common Stock and the Rights Offering Notes received by Persons who are deemed to be "underwriters", including holders who are deemed to be "affiliates" (as such terms are defined under the U.S. Securities Act) of ABH or Reorganized ABH within 90 days before, or after, the Implementation Date, or "control persons" may be resold by them only in transactions permitted by the resale provisions of Rule 144 or Regulation S promulgated under the U.S. Securities Act or as otherwise permitted under the U.S. Securities Act. Sales under Rule 144 require compliance, during prescribed periods following the acquisition of securities as a result of the implementation of the CCAA Plan, with certain holding periods, volume limitations and current public information and manner of sale requirements. Persons whom may be deemed to be "affiliates" of an issuer generally include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, such issuer and may include officers and directors of such issuer as well as principal shareholders of such issuer. Parties who believe they may be statutory underwriters as defined in the Section 1145 Cutback are advised to consult with their own counsel concerning the availability of the exemptions provided by Rule 144 or Regulation S.

The Rights Offering Notes to be issued to Backstop Parties under the Backstop Commitment Agreement (in respect of Rights Offering Notes not subscribed for in the Rights Offering) will be issued under a "private placement" exemption from U.S. Securities Act registration under Section 4(2) thereof or Regulation D promulgated thereunder and will be "restricted securities" for purposes of Rule 144 under the U.S. Securities Act; such securities may not be transferred absent U.S. Securities Act registration or an exemption from such registration. Similarly, any shares of New ABH Common Stock issued upon conversion of such privately-placed Rights Offering Notes will also be subject to the same transfer restrictions. All such "restricted securities" will bear a legend to the effect that:

THE SECURITIES REPRESENTED HEREBY (THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") NOR REGISTERED OR QUALIFIED UNDER THE SECURITIES OR BLUE SKY LAWS OF ANY STATE. THE SECURITIES MAY ONLY BE SOLD (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT,

SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO IT. THESE RESTRICTIONS SHALL APPLY UNTIL SUCH SECURITIES MAY BE RESOLD WITHOUT RESTRICTION PURSUANT TO RULE 144 UNDER THE SECURITIES ACT.

The issuance of the Rights Offering Notes to the Backstop Parties is also expected to be exempt from registration under the various state "blue sky" laws. The Backstop Commitment Agreement also currently provides that Reorganized ABH will file, as soon as practicable, a registration rights agreement with the Bankruptcy Court and Canadian Court, in form and substance satisfactory to the Backstop Parties, providing for the filing of a registration statement in respect of the Rights Offering Notes issued under the Backstop Commitment Agreement and the New ABH Common Stock issuable in respect of such Rights Offering Notes at a later date.

State

The issuance and delivery of the New ABH Common Stock, pursuant to the CCAA Plan, the exercise of the Subscription Rights by Eligible Holders as provided by the CCAA Plan and the issuance of the Rights Offering Notes to the Backstop Parties will not be registered under the securities Laws of any state of the United States. Such securities will be issued in reliance upon applicable exemptions under state securities Laws. Affected Unsecured Creditors are advised that the resale of the New ABH Common Stock and the Rights Offering Notes may be subject to certain registration requirements or other restrictions imposed by various states' "blue sky" Laws. ABH does not provide any advice with respect to the applicability of, or compliance with, any such blue sky Laws and urges all Affected Unsecured Creditors to consult their own advisors concerning whether they may freely trade the New ABH Common Stock and the Rights Offering Notes in compliance with the blue sky Laws of the state in which they reside.

E. Stock Exchange Listing

Reorganized ABH and the Applicants shall use their reasonable best efforts to cause the shares of New ABH Common Stock to be listed on the NYSE, the NASDAQ and/or the TSX.

Any such listing will be conditional upon Reorganized ABH fulfilling all the initial requirements of these exchanges, including distribution of these securities to a minimum number of public holders. There can be no assurance that listing will be achieved and, if achieved, that such listing will continue or that a trading market will develop or be sustained for the listed securities.

XII. RECOMMENDATION OF THE MONITOR

The Monitor has assisted the Applicants in the development of the CCAA Plan. Pursuant to the CCAA Plan, the Affected Unsecured Creditors are, for voting and distribution purposes, grouped in 20 classes based on their Affected Claims against the Applicants listed in the table in paragraph 17 of Appendix F – "*Liquidation Analysis*" (the "**CCAA Plan Applicants**"). If the CCAA Plan Applicants are unable to implement the CCAA Plan then the Stay of Proceedings granted by the Court in the Initial Order may be lifted, in which case substantially all of the CCAA Plan Applicants' stayed debt obligations would become due and owing. The CCAA Plan Applicants do not have sufficient financial resources to meet these obligations. Accordingly, the Monitor is of the view that this would likely result in applications, by the CCAA Plan Applicants or their creditors, under the CCAA, the BIA or other statutes to allow the creditors to realize upon the CCAA Plan Applicants' assets and their operations (the "**Assets**") for the general benefit of the creditors.

Liquidation Analysis

The Monitor, with the assistance of the CCAA Plan Applicants, has prepared an illustrative estimate of the net realizable value of the Assets for each of the CCAA Plan Applicants assuming liquidation proceedings, based on the assets and liabilities as they appear in the CCAA Plan Applicants' financial records as at March 31, 2010 (the "**Liquidation Analysis**"). The Liquidation Analysis, including the key assumptions related thereto, is attached as Appendix F – "*Liquidation Analysis*" to this Circular. In the Monitor's view, such realization proceedings would likely result in the sale of a limited number of the CCAA Plan Applicants' select operations on a going concern basis, an orderly wind down of the remaining operations and the liquidation of the remaining Assets as described in greater detail in Appendix F – "*Liquidation Analysis*".

The table set forth below summarizes the estimated range of recoveries for Affected Unsecured Creditors of each of the CCAA Plan Applicants in the event of a liquidation process.

The CCAA Plan Illustrative Recoveries for Affected Unsecured Creditors

The U.S. Plan and the CCAA Plan contemplate that the ABH Existing Shares and the Exchangeable Shares will be cancelled and that, upon emergence from the CCAA Proceedings, the Affected Unsecured Creditors of the CCAA Plan Applicants will receive their Pro Rata share of the New ABH Common Stock as set out in Article 2 of the CCAA Plan, with the exception of those Affected Unsecured Creditors who receive a Cash distribution for Claims the aggregate Face Amount of which is less than Cdn$6,073 or who elect to reduce their Claim to Cdn$6,073 for distribution purposes only.

The Section "*The CCAA Plan – Illustrative Recoveries*" provides a table of "Illustrative Recoveries" for the Affected Unsecured Creditors of each of the CCAA Plan Applicants. The illustrative recoveries have been estimated by the CCAA Plan Applicants based on a number of assumptions, including in the Monitor's view, the following key items:

(a) A mid-point estimated going concern enterprise value of the Reorganized ABH of $3.675 billion and an estimated mid-point equity value for the New ABH Common Stock (the "**Equity Value**") of $2.425 billion as determined by ABH with the assistance of The Blackstone Group ("**Blackstone**"), its financial advisor, as summarized in Appendix H – "*Enterprise Valuation*" to this Circular.

(b) The allocation of the number of shares of New ABH Common Stock to the Affected Unsecured Creditors of each of the CCAA Plan Applicants as set out in Schedules C and D of the CCAA Plan relative to the number of shares of New ABH Common Stock of Reorganized ABH to be allocated to the compromised creditors of the CCAA Plan Applicants and the U.S. Debtors, which allocation took into consideration, among other things, Inter-company Claims on a pro-rata basis with third party creditor Claims. Such allocation will determine the amount of the estimated Equity Value of the Reorganized ABH that will be available to be shared amongst the Affected Unsecured Creditors of each of the CCAA Plan Applicants.

(c) The preliminary estimate of Proven Claims of each the Affected Unsecured Creditors, an estimate of which is provided in "*The CCAA Plan – Illustrative Recoveries*", which estimated Proven Claims will share on a Pro Rata basis in the shares of New ABH Common Stock allocated to each specific CCAA Plan Applicant. Because the shares of New ABH Common Stock to be allocated to all of the Affected Unsecured Creditors of each of the CCAA Plan Applicants is a fixed number of shares as set out in Schedules C and D of the CCAA Plan, the number of shares of New ABH Common Stock to be received by individual Affected Unsecured Creditors of each of the CCAA Plan Applicants will be determined on a pro rata basis by the final quantification of the Proven Claims for each of the CCAA Plan Applicants. The final determination of the amount of the Proven Claims is subject to the Claims determination process set out in the Claims Procedure Orders and the Cross-border Claims Protocol, and will likely differ from the preliminary estimates contained in "*The CCAA Plan – Illustrative Recoveries*" once the Claims determination process is complete. As such, the preliminary estimates of Proven Claims contained in "*The CCAA Plan – Illustrative Recoveries*" are for illustrative purposes only.

The table below summarizes the illustrative recoveries under the CCAA Plan for the Affected Unsecured Creditors of each of the CCAA Plan Applicants as set out in *"The CCAA Plan – Illustrative Recoveries"* compared to the illustrative recovery for Affected Unsecured Creditors from the liquidation of the Assets of each of the CCAA Plan Applicants as detailed in Appendix F – *"Liquidation Analysis"*:

Applicant	Estimated Recovery for Affected Unsecured Creditors under the CCAA Plan	Illustrative Percentage Recoveries for Unsecured Claims in Liquidation	
		Low	High
Abitibi-Consolidated Inc.	3.4%(1)	1.0%	3.0%
Abitibi-Consolidated Company of Canada	17.1%(1)	1.3%	14.2%
15.5% Guarantor Applicant Affected Unsecured Creditor Classes in respect of each of the following:			
3224112 Nova Scotia Limited	0.0%	0.0%	0.0%
Marketing Donohue Inc.	0.0%	0.0%	0.0%
3834328 Canada Inc.	0.0%	0.0%	0.0%
6169678 Canada Inc.	0.0%	0.0%	0.0%
1508756 Ontario Inc.	0.0%	0.0%	0.0%
The Jonquière Pulp Company	0.0%(1)	0.0%	0.1%
The International Bridge and Terminal Company	0.0%(1)	0.7%	1.3%
Abitibi-Consolidated (U.K.) Inc.	0.0%(1)	3.7%	4.3%
Scramble Mining Ltd.	0.0%	0.0%	0.0%
Terra Nova Explorations Ltd.	0.0%(1)	0.0%	0.0%
Saguenay Forest Products Inc.	4.2%(1)	2.4%	4.0%
Bowater Canadian Forest Products Inc.	36.5%	7.5%	21.2%
Bowater Canada Finance Corporation	0.9%	0.0%	0.0%
AbitibiBowater Canada Inc.	0.0%	0.0%	0.0%
Bowater Maritimes Inc.	20.8%	4.0%	9.4%
Abitibi-Consolidated Nova Scotia Incorporated	43.0%(1)	0.1%	0.1%
Abitibi-Consolidated Canadian Office Products Holding Inc.	0.0%	0.0%	0.0%
Donohue Recycling Inc.	0.0%	0.0%	0.0%

(1) This percentage represents the estimated recovery on all Claims against ACI, ACCC, The Jonquière Pulp Company, The International Bridge and Terminal Company, Abitibi-Consolidated (U.K.) Inc., Terra Nova Explorations Inc., Saguenay Forest Products, and ACNSI, respectively, other than the 15.5% Senior Unsecured Notes Claims.

For a number of the CCAA Plan Applicants the illustrative recoveries under the CCAA Plan and the Liquidation Analysis are nil, as these entities have nominal assets. Most of these entities are included in the entities comprising the 15.5% Guarantor Applicants. As such, they have only one creditor group, the 15.5% Senior Unsecured Notes Claims, which is receiving distributions from multiple CCAA Plan Applicants.

As illustrated in the table above, the recovery to the Affected Unsecured Creditors under the CCAA Plan is estimated to be greater than their recovery in a liquidation scenario assuming the value of the shares of New ABH Common Stock to be issued under the CCAA Plan is consistent with that assumed by the Company and Blackstone as summarized in Appendix H – *"Enterprise Valuation"* and assuming that the final quantification of the Proven Claims pursuant to the claims determination process set out in the Claims Procedure Orders and Cross-border Claims Protocol is consistent with the estimated Proven Claims of each the Affected Unsecured Creditors as summarized in the Section *"The CCAA Plan – Illustrative Recoveries"*.

The Monitor believes the CCAA Plan will produce a more favourable result for the Affected Unsecured Creditors as a whole than would a liquidation of the CCAA Plan Applicants' Assets in accordance with the assumptions set out in the Liquidation Analysis in Appendix F – *"Liquidation Analysis"*. Accordingly, the Monitor recommends that Affected Unsecured Creditors vote FOR the Resolution in respect of each Affected Unsecured Creditor Class to which they belong to approve the CCAA Plan.

XIII. RECOMMENDATION OF THE CCAA PLAN APPLICANTS

The CCAA Plan Applicants have approved the CCAA Plan and have authorized its submission to the Affected Unsecured Creditors for their approval at the Creditors' Meetings and subject to that approval, to the Court for approval.

In making this recommendation, the CCAA Plan Applicants considered various factors, including the inability of the Applicants to repay their indebtedness, the necessity of restructuring their capital structure, and the impact on various stakeholders of the Applicants, particularly the Affected Unsecured Creditors, of a liquidation of the CCAA Plan Applicants' Assets. The CCAA Plan Applicants took into account and relied upon advice received from their legal counsel and financial advisor and the opinion and views of management. The CCAA Plan Applicants also took into account the opinion and views of the Monitor (please see "*Recommendation of the Monitor*") and the Liquidation Analysis set out in Appendix F – "*Liquidation Analysis*". The CCAA Plan Applicants also considered the Company's Enterprise Valuation prepared by the Applicants, with the assistance of Blackstone, for the purpose of estimating the Company's consolidated value on a going concern basis. A discussion of the valuation methodology and a copy of the Company's Enterprise Valuation is attached to this Circular as Appendix H – "*Enterprise Valuation*".

Blackstone's estimate of Enterprise Value (as defined in the Enterprise Valuation) reflects the application of standard valuation techniques and does not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan and delivered under the CCAA Plan, which may be significantly different than the amounts set forth in the Enterprise Valuation.

The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimated Enterprise Value range of the Company set forth in the Enterprise Valuation is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth therein.

Neither the Company, nor Blackstone, nor any other person assumes responsibility for any differences between the Enterprise Value range and such actual outcomes. Actual market prices of such securities at issuance will depend upon, among other things, the operating performance of the Company, prevailing interest rates, conditions in the financial markets, the anticipated holding period of securities received by prepetition creditors (some of whom may prefer to liquidate their investment rather than hold it on a long-term basis), developments in the Company's industry and economic conditions generally, and other factors which generally influence the prices of securities.

The CCAA Plan Applicants believe that the most likely alternative to the CCAA Plan would be a liquidation of the CCAA Plan Applicants' Assets under the CCAA, the BIA or other statutes and the distribution of the net proceeds of such liquidation to all creditors of the CCAA Plan Applicants in accordance with their respective priorities. The CCAA Plan Applicants also believe, based on the Liquidation Analysis set out in Appendix F – "*Liquidation Analysis*", that the recovery to the Affected Unsecured Creditors under the CCAA Plan would be greater than their recovery in a liquidation scenario assuming the value of the New ABH Common Stock to be issued under the CCAA Plan is consistent with that assumed by the Company and Blackstone as summarized in Appendix H – "*Enterprise Valuation*" and assuming that the final quantification of the Proven Claims pursuant to the Claims determination process set out in the Claims Procedure Orders and Cross-border Claims Protocol is consistent with the estimated Proven Claims of each the Affected Unsecured Creditors as summarized in "*The CCAA Plan – Illustrative Recoveries*". The CCAA Plan Applicants believe the CCAA Plan will produce a more favourable result for the Affected Unsecured Creditors than would a liquidation of the CCAA Plan Applicants' Assets in accordance with the assumptions set out in the Liquidation Analysis in Appendix F – "*Liquidation Analysis*", while providing the CCAA Plan Applicants with an opportunity to continue as a viable going concern with a recapitalized balance sheet, and reduced expenses. Accordingly, the CCAA Plan Applicants recommend that Affected Unsecured Creditors Vote FOR the Resolution in respect of each Affected Unsecured Creditor Class to which they belong to approve the CCAA Plan.

XIV. LEGAL MATTERS

Certain legal matters in connection with the CCAA Plan will be passed upon on behalf of ABH and the Applicants by Stikeman Elliott LLP, as to matters of Canadian Law. ABH and the Applicants have been represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP as to matters of U.S. Law.

XV. ADDITIONAL INFORMATION

Except as otherwise explicitly provided, information provided in this Circular is accurate and up-to-date, as of the date hereof. Starting on or about the date hereof, any modifications, amendments or supplements to the information contained in this Circular as the Applicants may determine, shall be distributed by the Applicants by one or more of the following methods: (i) posting on the Monitor's Webside and/or the Applicants' website www.abitibibowater.com; (ii) news release; (iii) newspaper advertisement; (iv) pre-paid regular mail, email, fax or delivery (in person or by courier); (v) distribution at the Creditors' Meeting; or (vi) such other reasonably practicable method in the circumstances.

XVI. QUESTIONS AND FURTHER ASSISTANCE

If you have any questions about the information contained in this Circular, including the Rights Offering or require assistance in completing your Form of Proxy, please contact the Monitor at 800 René-Lévesque Blvd. West, Suite 2000, Montreal, Québec, H3B 1X9 Canada (Attention: the Monitor), facsimile number: 514-879-3992 and telephone number: 1-866-246-7889.

If you have any questions about the Subscription Form, please contact Epiq Bankruptcy Solutions, LLC at 757 Third Avenue, 3rd Floor New York, NY 10017, telephone numbers 1-888-266-9280 (for U.S. / Canada calls) (503) 597-7694 (for non-U.S. / non-Canada calls) or the Monitor at 1-866-246-7889.

XVII. AUDITORS

The auditors of the Corporation are PricewaterhouseCoopers LLP, 1250 René Lévesque Boulevard West, Montreal, Québec H3B 2G4.

XVIII. APPROVAL OF CIRCULAR

The contents and the sending of this Circular have been approved by the Applicants.

DATED at Montreal, Québec this 2nd day of August, 2010

1508756 ONTARIO INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

3217925 NOVA SCOTIA COMPANY

(signed)

Name: Jacques P. Vachon
Title: Secretary

3224112 NOVA SCOTIA LIMITED

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

3231378 NOVA SCOTIA COMPANY

(signed)

Name: Jacques P. Vachon
Title: Secretary

3834328 CANADA INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

4042140 CANADA INC.

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

6169678 CANADA INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

9068-9050 QUÉBEC INC.

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

9150-3383 QUÉBEC INC.

(signed)

Name: Jacques P. Vachon
Title: President and Secretary

ABITIBIBOWATER CANADA INC.

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

ABITIBI-CONSOLIDATED (U.K.) INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

ABITIBI-CONSOLIDATED CANADIAN OFFICE PRODUCTS HOLDINGS INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

ABITIBI-CONSOLIDATED COMPANY OF CANADA

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

ABITIBI-CONSOLIDATED INC.

(signed)

Name: Allen Dea
Title: Vice-President & Secretary

ABITIBI-CONSOLIDATED NOVA SCOTIA INCORPORATED

(signed)

Name: Jacques P. Vachon
Title: Secretary

ALLIANCE FOREST PRODUCTS (2001) INC.

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

BOWATER BELLEDUNE SAWMILL INC.

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

BOWATER CANADA FINANCE CORPORATION

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

BOWATER CANADA TREASURY CORPORATION

(signed)

Name: Jacques P. Vachon
Title: Secretary

BOWATER CANADIAN FOREST PRODUCTS INC.

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

BOWATER CANADIAN HOLDINGS INCORPORATED

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

BOWATER CANADIAN LIMITED

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

BOWATER COUTURIER INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

BOWATER GUÉRETTE INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

BOWATER LAHAVE CORPORATION

(signed)

Name: Jacques P. Vachon
Title: Secretary

BOWATER MARITIMES INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

BOWATER MITIS INC.

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

BOWATER SHELBURNE CORPORATION

(signed)

Name: Jacques P. Vachon
Title: Secretary

BOWATER TREATED WOOD INC.

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

CANEXEL HARDBOARD INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

DONOHUE RECYCLING INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

LA TUQUE FOREST PRODUCTS INC.
(Represented by an officer of Abitibi-Consolidated Company of Canada, acting as liquidator)

(signed)

Name: Jacques P. Vachon
Title: Vice-President and Secretary

MARKETING DONOHUE INC.

(signed)

Name: Jacques P. Vachon
Title: Secretary

SAGUENAY FOREST PRODUCTS INC.

(signed)

Name: Allen Dea
Title: Vice-President

SCRAMBLE MINING LTD

(signed)

Name: Jacques P. Vachon
Title: Secretary

ST. MAURICE RIVER DRIVE COMPANY LIMITED

(signed)

Name: Jacques P. Vachon
Title: Secretary

TERRA NOVA EXPLORATIONS LTD.

(signed)

Name: Jacques P. Vachon
Title: Secretary

THE INTERNATIONAL BRIDGE AND TERMINAL COMPANY

(signed)

Name: Jacques P. Vachon
Title: Secretary

THE JONQUIÈRE PULP COMPANY

(signed)

Name: Jacques P. Vachon
Title: Secretary