

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF ABITIBIBOWATER INC., *et al.*, DEBTORS**
CHAPTER 11 CASE NO. 09-11296 (KJC) JOINTLY ADMINISTERED

c/o Paul, Hastings, Janofsky & Walker LLP
75 East 55th Street
New York, NY 10022-3205

August 2, 2010

To: All Unsecured Creditors of AbitibiBowater, Inc. et al.
(Holders of Claims in Classes 6A-6HH and 7A-7HH)

Re: Support of Chapter 11 Plan of Reorganization and Disclosure Statement

Dear Unsecured Creditors of AbitibiBowater Inc. et al.:

The Official Committee of Unsecured Creditors of AbitibiBowater Inc., et al. and affiliated debtors writes this letter to unsecured creditors, to recommend that each unsecured creditor vote in favor of the Second Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code (the “Plan”) and the related Disclosure Statement.¹ As the official representative of all unsecured creditors in these cases, the Committee believes that the Plan is fair and provides the unsecured creditors with the best possible recovery under the circumstances of this case, and strongly recommends that all unsecured creditors vote to accept the Plan in accordance with the instructions set forth on the ballots.

On April 16, 2009, the Debtors filed for bankruptcy protection under chapter 11. On April 28, 2009, the United States Trustee for the District of Delaware appointed the Committee to represent the interests of unsecured creditors in the Debtors’ chapter 11 cases. The Committee retained the firms of Paul, Hastings, Janofsky & Walker LLP, Bayard, P.A., and Bennett Jones LLP as its counsel; FTI Consulting, Inc. as its financial advisor; and Lazard Frères & Co. LLC, as its investment banker.

Over the past 14 months, the Committee has played an active role in this case in an effort to obtain the best possible recovery under the circumstances for the claims of unsecured creditors. The enclosed Plan is the result of intense negotiations among the Committee, the Debtors, Fairfax Financial Holdings and other investors, and other key parties. As part of the negotiated treatment of unsecured creditors, the Committee has agreed to support the Plan, and recommends that all unsecured creditors vote to accept the Plan.

Distributions on General Unsecured Claims. The Plan does not provide for any cash distribution to holders of general unsecured claims,² other than convenience class claims (discussed below). Rather, the Plan provides for holders of claims in Classes 6A-6HH to receive their pro rata

¹ You are receiving the Plan and the Disclosure Statement from Debtors in the same package as this letter.

² Capitalized terms not defined in this letter have the meanings set forth in the Plan or Disclosure Statement.

share of stock in the reorganized enterprise to be known as AbitibiBowater Holdings, Inc. (referred to as ABH). The Plan states that each holder of a Class 6 Claim will: (i) receive its Pro Rata Share of the New ABH Common Stock allocated to the Debtor against which such Claim is Allowed, and (ii) to the extent eligible, be entitled to participate in the portion of the Rights Offering (described below) allocated to such Debtor.

In order to fund distributions under the Plan and ongoing business operations after emergence, the Plan contemplates an exit financing package that includes a rights offering in an amount that should not exceed \$500 million as of the effective date of the Plan (although the rights offering could be increased up to \$610 million under certain circumstances). Each unsecured creditor holding an allowed claim in Classes 6A-6HH will be entitled to purchase its pro rata share of convertible unsecured subordinated notes issued by the reorganized ABH. The number of rights offering notes for which a creditor can subscribe depends on the amount of Class 6 claims held by that creditor and the amount of New ABH Common Stock that is allocated under the Plan to the relevant debtor entity against which it has a claim. The rights offering notes bear several attractive features, including an initial, upfront payment of 4% of the amount of notes purchased, an interest rate of 10% per annum and a conversion right into additional shares of New ABH Common Stock at a favorable rate (based on the Plan's implied equity value of the Debtors as of the effective date of the Plan). Details on how to subscribe and how to participate if a creditor's claim has not been allowed are included in the other solicitation materials provided with the Plan, Disclosure Statement and ballot. Unsecured creditors should make their own determination as to whether to participate in the rights offering, as this aspect of the Plan involves certain risks that are disclosed in the Disclosure Statement and it is completely optional.

Distributions on Convenience Class Claims. For any unsecured claim that is (i) allowed in an amount of \$5,000 or less or (ii) allowed in an amount greater than \$5,000 but which is reduced to \$5,000 by an irrevocable written election of the holder of such Claim, the Plan provides that the holder of such a Convenience Claim will receive a cash payout in an amount equal to 50% of the lesser of (i) \$5,000 or (ii) the amount of its Allowed Class 7 Claim.

Voting and Recommendation. For the purpose of voting on the Plan, the Debtors have provided you with a ballot, which should be completed by you for either accepting or rejecting the Plan and mailed in accordance with the procedures set forth on the ballot and in the Disclosure Statement. In addition, the Debtors have provided you with a form for exercising your Subscription Rights should you so choose. Before voting, all creditors are strongly urged to read carefully and review in their entirety the Plan and the Disclosure Statement, including the discussion of the risk factors related to the Plan and the New ABH Common Stock, and all other documents submitted to you. The treatment provisions for Classes 6 and 7 are set forth in Sections 2.13 and 2.14 of the Plan, respectively. Summary information regarding recoveries for Classes 6 and 7 are set forth in Article II.B of the Disclosure Statement.

THE COMMITTEE ENDORSES THE PLAN AND RECOMMENDS THAT ALL HOLDERS OF UNSECURED CLAIMS IN CLASSES 6A-6HH AND CONVENIENCE CLASS CLAIMS IN CLASSES 7A-7HH VOTE TO ACCEPT THE PLAN. NOTWITHSTANDING OUR RECOMMENDATION, EACH CREDITOR MUST MAKE ITS OWN INDEPENDENT DETERMINATION AS TO WHETHER THE PLAN IS ACCEPTABLE TO THAT CREDITOR AND SHOULD CONSULT WITH ITS OWN LEGAL AND/OR FINANCIAL ADVISORS.

The Committee's decision to support the Plan was made after considering several factors, including a number of inter-company and inter-creditor settlements embodied in the Plan. One concern raised by some parties in that process was that, under the Plan, the unsecured claim asserted by Fairfax against Bowater Incorporated will be allowed in full. In the view of these parties, such claim should be disallowed if challenged because the guaranty underlying Fairfax's claim could be avoided as a fraudulent transfer. The Debtors advised the Committee that the Debtors performed their own analysis of the issue and concluded that such fraudulent transfer action has little or no merit, and that it was in the best interests of the Debtors' unsecured creditors to proceed with the Plan providing for the allowance in full of the Fairfax unsecured claim against Bowater Incorporated rather than risk that Fairfax and other backstop parties who hold large unsecured claims in these cases would withdraw their support for the Plan and the backstop of the rights offering if the issue was pursued. See the Disclosure Statement at Article V.Q for further discussion of the nature of such a challenge. No other parties appeared at or participated in an auction to replace the existing rights offering, so without Fairfax' support, it is possible that the reorganization would fail. Accordingly, after much analysis and debate, the Committee agreed to support the Plan that contains a release of the fraudulent transfer claim against Fairfax rather than jeopardize recoveries to all unsecured creditors. The Committee's support of the Plan does not reflect a view of the Committee on the merits of that fraudulent transfer issue.

Please be advised that, as set forth in the Plan, additional information regarding the Plan should be filed with the Court in the form of Plan Supplements no later than 10 days prior to the Voting Deadline. The Plan Supplements (upon filing) and additional information about the chapter 11 cases and the Joint Plan of Reorganization is available at the following website:
<http://www.abitibibowatercommittee.com>.

THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF ABITIBIBOWATER INC., *et al.*