FAQ – Stock Sale Option Election And Withholding Tax Letter For Canadian Employees and Former Canadian Employees

Questions	Answers
1. Will I receive cash or shares in satisfaction of my Employee Claim?	If your claim is a Convenience Claim (by default or because you have elected to participate in the Convenience Class), you will receive cash. You may also receive cash if a portion of your Employee Claim is entitled to priority or administrative treatment, or pursuant to section 3.8 of the Plan of arrangement. Otherwise, your Employee Claim will be satisfied by the distribution of shares of the new AbitibiBowater Inc.
2. My claim is a Convenience Claim. Is this letter relevant for me?	Probably not. But you can still elect the Stock Option Sale in the event there is a change of circumstances and you later become entitled to a share distribution.
3. If I am entitled to a share distribution, can I elect to receive cash instead of shares?	Yes. You may elect to receive cash under the Stock Sale Option.
4. How does the Stock Sale Option work?	If you elect the Stock Sale Option, your Shares will be transferred to the Company's Transfer Agent and sold on the open market, along with all the shares of other parties who have selected this option and the shares withheld by the Company to pursuant to the <u>Canadian Withholding Tax Election</u>. Pursuant to the Stock Sale Option, you will receive the weighted average transaction price obtained by the Transfer Agent for the sale of all the shares sold on any given distribution date, less any applicable transaction costs.
5. Under the Stock Sale Option, how will the cash proceeds for the sale of my share distribution be calculated?	The proceeds of the sale will be the weighted average transaction price obtained by the Transfer Agent for the sale of all the shares distributed on account of your claim at the time of any given distribution. This includes proceeds from both the shares withheld by the Company pursuant to the <u>Canadian Withholding Tax Election</u>, and all the shares sold

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	pursuant to the Stock Sale Option, less any applicable transaction costs.
6. Can I modify my Stock Sale Option election?	No. The election for the Stock Sale Option is made only one time, is irrevocable and will apply to all distributions that you will receive.
7. If I'm entitled to a share distribution and I don't want to my shares to be sold, do I need to fill in an election form?	No. If you are entitled to a share distribution and want to receive shares on account of your claim, you don't have to make any further election. However, you may still want to make a Canadian Withholding Tax Election.
8. Now that the Company is offering the Stock Option Sale, can I revoke my election to participate in the Convenience Class?	You cannot unilaterally change your Convenience Class election. The Monitor may, however, consider requests to change your election, based on a change in your circumstances, on a case by case basis. If you want to change your election, you should send your request to Ernst & Young without delay.
9. Will I have to pay income tax on the distributions received in satisfaction of my Employee Claim?	AbitibiBowater considers that all distributions on account of an Employee Claim, whether in cash and in shares, and including when an employee elects the Stock Option Sale, will be taxable and as such, the tax information slips prepared by AbitibiBowater for each taxation year in which you will receive a distribution will include an amount of taxable benefit.
10. What will be the amount of my taxable benefit?	For distributions made within 135 days following the Emergence Date, the Canada Revenue Agency and Revenue Quebec have agreed that the taxable benefit will be based on the weighted average transaction price obtained for the sale of all shares withheld pursuant to the Canadian Withholding Tax Election and all the shares sold pursuant to the Stock Sale Option, in connection with Canadian Employee Claims on any given distribution date, which sale will occur over a period not exceeding 10-business days following such distribution date, less any applicable transaction costs. For distributions made after that date, the Canada Revenue Agency and Revenue Quebec have agreed that the taxable benefit will be based on the weighted average transaction price obtained for the sale of shares withheld pursuant to the Canadian Withholding Tax Election and all the shares sold pursuant to the Stock Sale Option, in connection with

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	Canadian Employee Claims on any given distribution date, less any applicable transaction costs. Your taxable benefit will be the same whether or not you elect the Stock Sale Option.
11. Will my distributions be subject to withholding tax?	Cash distributions will be subject to withholding tax (whether made on account of convenience claim, portion of Employee Claims entitled to priority or administrative treatment or made pursuant to section 3.8 of the Plan of Arrangement. As regards share distributions, Canada Revenue Agency and Revenue Quebec have agreed that the share distributions will not be subject to any Canadian or any Quebec withholding tax, whether or not you elect the Stock Sale Option. However, you can make the <u>Canadian Withholding Tax Election</u> to request AbitibiBowater to withhold income tax on the share distributions made to you to minimize future tax that may be due at a later time on account of these distributions.
12. What will be the effect of the Canadian Withholding Tax Election?	If you receive Shares, AbitibiBowater will withhold a sufficient number of Shares from your distributions to cover the withholding obligation. Accordingly, the Shares to be delivered to you in satisfaction of your Employee Claim will correspond to the number of Shares to which you are entitled after the applicable withholdings. If you elect to receive cash under the Stock Sale Option, AbitibiBowater will withhold a sufficient amount of cash from the sale of your Shares to cover the withholding obligation. Accordingly, the cash to be delivered to you in satisfaction of your Employee Claim will correspond to the cash received from the sale of your Shares (net of any transaction costs) less the applicable withholdings. The withholding on account of income tax made by AbitibiBowater may be lower or higher than the taxes otherwise payable on the taxable benefit.
13. Can I modify my Canadian Withholding Tax Election?	No. The Canadian Withholding Tax Election is made only one time, is <u>irrevocable</u> and will apply to <u>all</u> distributions made to you.

14. Can I make the election for Stock Sale Option without making the election for the Canadian Withholding Tax Election, or vice versa?	Yes. You can make one election without making the other. They are independent.
15. I have received employment insurance in the past years, could that affect my distributions?	Yes, your distributions may be delayed due to legal requirements. Moreover, in certain circumstances, the employment insurance you previously have received may be subject to a claw back. Should that be the case, information related to any such claw back will be reflected on your payment stub.
16. I have new personal banking information and/or a new address. How do I inform AbitibiBowater?	If your banking information has changed since you terminated your employment, you must complete and return the relevant form attached to the letter. If your address has changed since the filing of your Employee Claim, you must provide your new address in your Election Letter.
17. How and until when can I elect the Stock Sale Option and/or the Canadian Withholding Tax Election	You must use the Election Letter to irrevocably elect the Stock Sale Option and/or the Canadian Withholding Tax Election. Your Election Letter must be actually received by Ernst & Young Inc. on or before 5:00 pm prevailing eastern time on November 19, 2010, or your election will not be counted. You may submit your Election Letter by mail, facsimile or electronic submission at the following addresses and numbers: By Registered Mail or Courier **:** Ernst & Young Inc. c/o AbitibiBowater Inc. Stock Election Processing Center 800 Rene-Levesque Blvd. West, Suite 1900 Montréal, Québec H3B 1X9 By Fax : 514-879-3992 By E-mail : abitibibowater@ca.ey.com
18. What if my Election Letter is not completed correctly or if my Election Letter is received after 5:00 pm on November 19, 2010	If you do not check the box, if the Election Letter is not completed correctly or if the Election Letter is received after **5:00 pm on November 19, 2010**, your Election Letter will not be counted, you will receive Shares in satisfaction of your Employee Claim and no withholding will be made.