CANADA **PROVINCE OF QUÉBEC** **DISTRICT OF MONTRÉAL**	**SUPERIOR COURT** Commercial Division *Sitting as a court designated pursuant to the Companies' Creditors Arrangement Act, R.S.C., c. C-36, as amended*
No.: 500-11-036133-094	**IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:**

ABITIBIBOWATER INC., a legal person incorporated under the laws of the State of Delaware, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And

ABITIBI-CONSOLIDATED INC., a legal person incorporated under the laws of Canada, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And

BOWATER CANADIAN HOLDINGS INC., a legal person incorporated under the laws of the Province of Nova Scotia, having its principal executive offices at 1155 Metcalfe Street, in the City and District of Montréal, Province of Quebec, H3B 5H2;

And

the other Petitioners listed on Appendices "A", "B" and "C";

Petitioners

And

ERNST & YOUNG INC., a legal person under the laws of Canada, having a place of business at 800 René-Lévesque Blvd. West, Suite 1900, in the City and District of Montréal, Province of Quebec, H3B 1X9;

Monitor

EIGHTEENTH REPORT OF THE MONITOR
OCTOBER 16, 2009

INTRODUCTION

1. On April 17, 2009, Abitibi-Consolidated Inc. ("**ACI**") and its subsidiaries listed in Appendix "A" hereto (collectively with ACI, the "**ACI Petitioners**") and Bowater Canadian Holdings Incorporated ("**BCHI**") and its subsidiaries listed in Appendix "B" hereto (collectively with BCHI, the "**Bowater Petitioners**") (the ACI Petitioners and the Bowater Petitioners are collectively referred to herein as the "**Petitioners**") filed for and obtained protection from their creditors under the Companies' Creditors Arrangement Act (the "**CCAA**" and the "**CCAA Proceedings**") pursuant to an Order of this Honourable Court (the "**Initial Order**").

2. Pursuant to the Initial Order, Ernst & Young Inc. ("**EYI**") was appointed as monitor of the Petitioners (the "**Monitor**") under the CCAA and a stay of proceedings in favour of the Petitioners was granted until May 14, 2009 (the "**Stay Period**"). On May 14, 2009, the Stay Period was extended until September 4, 2009 pursuant to an Order of this Honourable Court and subsequently extended to December 15, 2009.

3. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. ("**BI**"), and certain of their direct and indirect U.S. and Canadian subsidiaries, including BCHI and Bowater Canadian Forest Products Inc. ("**BCFPI**") (collectively referred to herein as "**U.S. Debtors**"), filed voluntary petitions (collectively, the "**Chapter 11 Proceedings**") for relief under Chapter 11 of the U.S. Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the "**U.S. Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**").

4. The Petitioners are all subsidiaries of ABH (ABH, collectively with its subsidiaries, are referred to as the "**ABH Group**").

5. On April 17, 2009, ABH and the petitioners listed on Appendix "C" hereto (collectively with ABH, the "**18.6 Petitioners**") obtained Orders under Section 18.6 of the CCAA in respect of voluntary proceedings initiated under Chapter 11 and EYI was appointed as the information officer in respect of the 18.6 Petitioners.

6. On April 16, 2009, ACI and ACCC filed petitions for recognition under Chapter 15 of the U.S. Bankruptcy Code. On April 21, 2009, the U.S. Bankruptcy Court granted the recognition orders under Chapter 15 of the U.S. Bankruptcy Code.

7. On April 22, 2009, the Court amended the Initial Order to extend the stay of proceedings to the partnerships (the "**Partnerships**") listed in Appendix "D" hereto.

BACKGROUND

8. ABH is one of the world's largest publicly traded pulp and paper manufacturers. It produces a wide range of newsprint and commercial printing papers, market pulp and wood products. The ABH Group owns interests in or operates 23 pulp and paper facilities, 29 wood products facilities and 32 recycling facilities located in Canada, the United States, the United Kingdom and South Korea.

9. Incorporated in Delaware and headquartered in Montreal, Quebec, ABH functions as a holding company and its business is conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC ("**Newsprint South**") (BI, Newsprint South and their respective subsidiaries are collectively referred to as the "**BI Group**"), ACI (ACI and its subsidiaries are collectively referred to as the "**ACI Group**") and AbitibiBowater US Holding LLC ("**ABUSH**") (ABUSH and its respective subsidiaries are collectively referred to as the "**DCorp Group**").

10. ACI is a direct and indirect wholly-owned subsidiary of ABH. ABH wholly owns BI which in turn, wholly owns BCHI which, in turn, indirectly owns BCFPI which carries on the main Canadian operations of BI.

11. ACCC, a wholly-owned subsidiary of ACI, and BCFPI hold the majority of ABH's Canadian assets and operations.

PURPOSE

12. This is the eighteenth report of the Monitor (the "**Eighteenth Report**") in these CCAA Proceedings, the purpose of which is to report to this Honourable Court with respect to

the Petitioners' repudiation of certain shipping contracts between Abitibi-Consolidated Inc. and Spliethoff Transport B.V. (**"Spliethoff"**).

TERMS OF REFERENCE

13. In preparing this Eighteenth Report, the Monitor has been provided with and, in making comments herein, has relied upon unaudited financial information, the ABH Group's books and records, financial information and projections prepared by the ABH Group and discussions with management of the ABH Group (the **"Management"**). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Eighteenth Report. Some of the information referred to in this Eighteenth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this Eighteenth Report was prepared by the ABH Group based on Management's estimates and assumptions. Readers are cautioned that, since these projections are based upon assumptions about future events and conditions, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

14. Capitalized terms not defined in this Eighteenth Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in U.S. currency unless otherwise noted.

15. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Eighteenth Report, and all motion records and Orders in the CCAA Proceedings will be available on the Monitor's website at www.ey.com/ca/abitibibowater. The Monitor has also established a bilingual toll-free telephone number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the CCAA Proceedings.

16. Copies of all of the U.S. Bankruptcy Court's orders are posted on the website for Epiq Bankruptcy Solutions LCC ("**Epiq**") at http://chapter11.epiqsystems.com/abitibibowater. The Monitor has included a link to Epiq's website from the Monitor's website.

THE PETITIONERS' SHIPPING TRANSPORT AGREEMENTS

17. Paper and pulp are two of the Petitioners' principal commercial products. The Petitioners' customer base for paper and pulp products is spread throughout the world and includes Europe, the Middle East, Northern Africa, the Caribbean and South America.

18. Given the substantial paper and pulp volumes sold around the world by the Petitioners, products are generally transported by ship. In certain cases, the Petitioners may either:

(i) lease entire ships for their own exclusive purposes (where quantities for shipping warrant this method); or,

(ii) ship goods in containers which are transported along with various other containers from the shipping company's other clients.

19. The Petitioners have numerous contractual agreements with shipping companies whereby the shipping companies each have exclusivity over certain shipping routes for contractually agreed upon prices, conditions and time periods.

20. At the commencement of the CCAA Proceedings, Management advised the Monitor that the following shipping routes were attributed to the shipping companies noted below:

(i) Baie-Comeau, Canada to Europe and the United Kingdom – (a) Transatlantic (paper) & (b) Wagenborg Shipping B.V. ("**Wagenborg**") (paper);

(ii) Baie-Comeau, Canada to the Caribbean – Spliethoff (paper);

(iii) Baie-Comeau, Canada to Brazil – Gearbulk (paper);

(iv) Baie-Comeau, Canada to Egypt – Spliethoff (paper);

(v) Baie-Comeau, Canada to Turkey– Wagenborg (paper); and

(vi) Catawba & Calhoun, USA to Europe – Grieg Star (pulp).

SHIPPING CONTRACT REVIEW AND RENEGOTIATION

21. As outlined in the Monitor's Seventeenth Report dated October 5, 2009, ACI and BCFPI have suffered further substantial operating cash losses subsequent to the issuance of the Initial Order.

22. The Monitor understands that, in early summer 2009, the Petitioners commenced a review of its contractual obligations under various agreements with a view to identifying its existing contracts with rate structures in excess of current market prices and then attempting to renegotiate these contracts to reduce the Petitioners' operating costs.

23. In order to maximize operational savings, the first contracts identified for review were those with the largest annual spend and, potentially, the largest recurring annual savings, including shipping contracts.

24. In late June 2009, the Petitioners requested that the Monitor attend a global meeting (to be held during the summer period) with certain of the Petitioners' shipping vendors and to provide the shipping vendors with a summary of the Petitioners' ability to repudiate contracts in both the CCAA Proceedings and the Chapter 11 Proceedings. The Monitor understood that the purpose of the meeting was for the Petitioners to explain the restructuring process, the importance of reducing costs, including transport costs, and the Petitioners' desired contractual terms.

25. On August 3, 2009, the Monitor attended the meeting with the Petitioners and their shipping vendors. The presentation was in three parts:

(i) the first presentation consisted of a broad market overview by the Petitioners' Vice-President of International Sales, Mr. Jon Melkerson;

(ii) the Monitor then presented a summary review of the CCAA and the Chapter 11 process and of the ability of the Petitioners to repudiate certain contracts in the CCAA Proceedings; and

(iii) a third presentation was to be made by the Petitioners' personnel managing the day-to-day shipping activities. The Monitor did not attend this presentation.

26. The Monitor was advised by the Petitioners that, subsequent to this meeting, each individual vendor was provided a separate envelope containing the Petitioners' proposed new contractual arrangements including (i) pricing reductions and (ii) new standard terms.

27. More than 2,700 potential contracts have been identified by the Petitioners as being subject to review, renegotiation and repudiation. The Monitor does not actively participate in day-to-day vendor discussions and negotiations, as these are of a commercial nature and may not necessarily require the Monitor's involvement or approval.

28. The Monitor's involvement in the contract renegotiation and repudiation process is restricted to reviewing and, where appropriate, approving contract repudiations as presented by the Petitioners. As of October 13, 2009, the Monitor had approved 116 contract repudiations by the Petitioners.

THE SPLIETHOFF CONTRACT REPUDIATIONS

29. On September 11, 2009, the Petitioners presented the Monitor with:

(i) its financial analysis of the bids received for the shipping lanes noted in paragraph 20 above;

(ii) its comparative analysis of the competitive bids received for those shipping lanes for which more than one bid had been received, namely the Caribbean lane and the Egypt lane for which two competing bids had been received. The two competing bids were received from (i) the incumbent shipper, Spliethoff, and (ii) Wagenborg, which already serviced the Petitioners' Europe & United Kingdom lane, as well as its Turkey lane. The results of this analysis is attached hereto as Appendices "E" and "F"; and

(iii) a request for approval of the repudiation of two shipping contracts with Spliethoff, namely (i) the Baie-Comeau, Canada to the Caribbean shipping lane and (ii) the Baie-Comeau, Canada to Egypt shipping lane on the basis of these financial analysis

30. Having received and reviewed the business case presented by the Petitioners in support of the contract repudiation, the Monitor requested further details as to the nature of the bids received by the Petitioners and the differences between the offers received from each of Spliethoff and Wagenborg for each of the Caribbean and Egypt shipping lanes. The Monitor was advised by the Petitioners that negotiations had taken place with each of Spliethoff and Wagenborg and was also provided additional information on the projected savings as established by the Petitioners.

31. The Monitor reviewed and analyzed the Petitioners' financial analysis of the projected savings for the competing offers as compared to the repudiated contracts and such projected savings are summarized below:

CONFIDENTIAL INFORMATION TOGETHER WITH APPENDIX E, F and G, TO BE KEPT IN A SEALED ENVELOP AS PER the ORDER of NOVEMBER 4, 2009 OFF MADAM JUSTICE D. MAYRAND

32. In addition to these projected savings, the Monitor was subsequently advised that Spliethoff had rejected the standard terms and conditions proposed by the Petitioners to be applied to the renegotiated shipping contracts. Certain of the material terms and conditions which were proposed by the Petitioners are set forth in Appendix "G". Some of these material terms and conditions include:

(i) fixed pricing for the first five years of the contract;

(ii) flexibility as to the port of origin or destination for the proposed loads to be shipped;

(iii) penalties to be applied to the shipping supplier if the ship arrives outside the agreed upon dates;

(iv) the Petitioners will be the shipping supplier's sole pulp and paper customer on any given vessel used;

(v) the Petitioners will have the right to use container shipping if requested (assuming insufficient volume to use a full ship);

(vi) the shipping supplier will assume any foreign exchange risk; and

(vii) more favourable payment terms.

33. While Spliethoff's refusal to incorporate some of the Petitioners' requested terms and conditions had already been factored into the comparative financial analysis of the Spliethoff and Wagenborg bids (for example, Wagenborg agreed to two-year fixed pricing and potential increases for the following three years based upon a U.S. consumer price index analysis), Spliethoff's refusal to incorporate other terms and conditions further increased the differences between the two offers. On the other hand, Wagenborg's acceptance of the material standard terms and conditions proposed by the Petitioners provides the Petitioners with, among other things, increased operational flexibility and increased accountability on the part of the shipper which may yield additional potential monetary savings that cannot be quantified at this time.

CONCLUSION

34. Based on the above, the Monitor approved the repudiation of the two contracts with Spliethoff and issued notice of such repudiation to Spliethoff on September 14, 2009.

All of which is respectfully submitted.

ERNST & YOUNG INC.
in its capacity as the Court Appointed Monitor
of the Petitioners

Per:

Alex Morrison, CA, CIRP
Senior Vice President

Martin Daigneault, CA, CIRP
Senior Vice President

Greg Adams, CA, CIRP
Senior Vice President

APPENDIX "A"
ABITIBI PETITIONERS

1. Abitibi-Consolidated Company of Canada
2. Abitibi-Consolidated Inc.
3. 3224112 Nova Scotia Limited
4. Marketing Donohue Inc.
5. Abitibi-Consolidated Canadian Office Products Holding Inc.
6. 3834328 Canada Inc.
7. 6169678 Canada Inc.
8. 4042140 Canada Inc.
9. Donohue Recycling Inc.
10. 1508756 Ontario Inc.
11. 3217925 Nova Scotia Company
12. La Tuque Forest Products Inc.
13. Abitibi-Consolidated Nova Scotia Incorporated
14. Saguenay Forest Products Inc.
15. Terra Nova Explorations Ltd.
16. The Jonquière Pulp Company
17. The International Bridge and Terminal Company
18. Scramble Mining Ltd.
19. 9150-3383 Québec Inc.

APPENDIX "B"
BOWATER PETITIONERS

1. Bowater Canada Finance Corporation
2. Bowater Canadian Limited
3. Bowater Canadian Holdings. Inc.
4. 3231378 Nova Scotia Company
5. AbitibiBowater Canada Inc.
6. Bowater Canada Treasury Corporation
7. Bowater Canadian Forest Products Inc.
8. Bowater Shelburne Corporation
9. Bowater LaHave Corporation
10. St-Maurice River Drive Company Limited
11. Bowater Treated Wood Inc.
12. Canexel Hardboard Inc.
13. 9068-9050 Québec Inc.
14. Alliance Forest Products Inc. (2001)
15. Bowater Belledune Sawmill Inc.
16. Bowater Maritimes Inc.
17. Bowater Mitis Inc.
18. Bowater Guérette Inc.
19. Bowater Couturier Inc.

APPENDIX "C"
18.6 PETITIONERS

1. AbitibiBowater US Holding 1 Corp.

2. AbitibiBowater Inc.

3. Bowater Ventures Inc.

4. Bowater Incorporated

5. Bowater Nuway Inc.

6. Bowater Nuway Mid-States Inc.

7. Catawba Property Holdings LLC

8. Bowater Finance Company Inc.

9. Bowater South American Holdings Incorporated

10. Bowater America Inc.

11. Lake Superior Forest Products Inc.

12. Bowater Newsprint South LLC

13. Bowater Newsprint South Operations LLC

14. Bowater Finance II, LLC

15. Bowater Alabama LLC

16. Coosa Pines Golf Club Holdings, LLC

APPENDIX "D"
PARTNERSHIPS

1. Bowater Canada Finance Limited Partnership
2. Bowater Pulp and Paper Canada Holdings Limited Partnership
3. Abitibi-Consolidated Finance LP