CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-036133-094

SUPERIOR COURT

Commercial Division
Sitting as a court designated pursuant to the Companies' Creditors Arrangement Act, R.S.C., c. C-36, as amended

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

ABITIBIBOWATER INC. (now operating as RESOLUTE FOREST PRODUCTS INC.), a legal person incorporated under the laws of the State of Delaware, having its principal executive offices at 111 Duke Street, in the City and District of Montréal, Province of Quebec;

And
ABITIBI-CONSOLIDATED INC. (successor in interest now being RESOLUTE FP CANADA INC.), a legal person incorporated under the laws of Canada, having its principal executive offices at 111 Duke Street, in the City and District of Montréal, Province of Quebec;

And
BOWATER CANADIAN HOLDINGS INC., a legal person incorporated under the laws of the Province of Nova Scotia, having its principal executive offices at 111 Duke Street, in the City and District of Montréal, Province of Quebec;

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

EIGHTY-FIFTH REPORT OF THE MONITOR
NOVEMBER 1, 2016

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 and affiliates listed in Appendix "B" hereto (collectively with BCHI, the "**Bowater Petitioners**") (the ACI Petitioners and the Bowater Petitioners, along with their successor entities, where applicable, 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, as amended on May 6, 2009 (the "**Initial Order**"). Pursuant to an Order of this Honourable Court dated November 10, 2009, Abitibi-Consolidated (U.K.) Inc., a subsidiary of ACI, was added to the list of the ACI Petitioners.

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**"). The Stay Period was subsequently extended to the date of implementation of the CCAA Plan (as defined herein) pursuant to further Orders of this Honourable Court. The date of implementation of the CCAA Plan was December 9, 2010.

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 the "**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. BCHI, Bowater Canada Finance Corporation ("**BCFC**"), Bowater Canadian Limited, AbitibiBowater Canada Inc., BCFPI, Bowater LaHave Corporation and Bowater Maritimes Inc. commenced both CCAA Proceedings and Chapter 11 Proceedings and are

referred to herein collectively as the "**Cross-Border Petitioners**" and are also included in the definition of "**Petitioners**". The Petitioners, without BCFC, are referred to herein as the "**Applicants**".

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

6. 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.

7. On April 16, 2009, ACI and Abitibi-Consolidated Company of Canada ("**ACCC**") filed petitions for recognition under Chapter 15 of the U.S. Bankruptcy Code (the "**Chapter 15 Proceeding**"). On April 21, 2009, the U.S. Bankruptcy Court granted the recognition orders under Chapter 15 of the U.S. Bankruptcy Code.

8. 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.

9. At the meeting of all classes of creditors of the Petitioners on September 14, 2010, the resolution approving the Plan of Reorganization and Compromise, as amended, supplemented and restated (the "**CCAA Plan**"), was overwhelmingly approved by each of the classes of unsecured creditors of the Petitioners affected by the CCAA Plan (the "**Affected Unsecured Creditors**"), save and except for the Affected Unsecured Creditors of BCFC.[1]

10. On September 23, 2010, this Honourable Court issued an order (the "**Sanction Order**") approving the CCAA Plan in respect of the Petitioners, save and except for BCFC.

11. In the Chapter 11 Proceedings, the U.S. Debtors filed with the U.S. Bankruptcy Court a plan related to the joint reorganization of the U.S. Debtors under the U.S. Bankruptcy

[1] On December 31, 2010, BCFC made an assignment in bankruptcy under the provisions of the *Bankruptcy and Insolvency Act* (Canada).

Code (the "**U.S. Plan**"). On November 23, 2010, the U.S. Bankruptcy Court entered an order confirming the U.S. Plan.

12. The CCAA Plan was implemented on December 9, 2010 (the "**Implementation Date**") and the effective date under the U.S. Plan was also December 9, 2010.

13. On the Implementation Date, the Applicants and the U.S. Debtors emerged from the CCAA Proceedings and Chapter 11 Proceedings, respectively.

14. On December 10, 2010, ACI, BCFPI and other companies merged to become AbiBow Canada Inc. ("**AbiBow**"), in which ACCC was liquidated.

15. On May 24, 2012, AbiBow changed its name to Resolute FP Canada Inc. ("**Resolute**").

PURPOSE

16. The purpose of this eighty-fifth report of the Monitor (the "**Eighty-Fifth Report**") is to report to this Honourable Court in respect of Resolute's Application for Direction to this Honourable Court dated June 12, 2012 (the "**Application**") requesting various declarations in respect of matters relating to certain pension plans.

TERMS OF REFERENCE

17. In preparing this Eighty-Fifth Report, the Monitor continues to rely 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**") as previously noted in prior reports to the Court. 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 Eighty-Fifth Report.

18. Capitalized terms not defined in this Eighty-Fifth Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in Canadian currency unless otherwise noted.

19. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Eighty-Fifth Report, and all motion records and Orders in the CCAA Proceedings are 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.

BACKGROUND

20. Following demands received by the Superintendents of pensions for the provinces of New Brunswick and Newfoundland and Labrador, the Regie des rentes du Quebec (the "**Regie**") advised the Petitioners of its intention to order the partial termination of four of Resolute's pension plans referred to in the Application (the "**Plans**") for the participants residing in New Brunswick and Newfoundland and Labrador. It is the position of the Petitioners, as stated in their Application, that, pursuant to the Special Funding Relief Regulations (as defined herein), the Petitioners' aggregate annual contribution in respect of the solvency deficits of all of the Petitioners' pension plans through to 2020 be limited as set out therein, and that any claim for the payment of additional contributions to its registered pension plans were released through the claims bar procedures and the Sanction Order.

21. It is the Monitor's understanding that an effect of the partial termination (partial wind-up) of a pension plan is to require the employer to make annual contributions to the plan sufficient to eliminate any actuarial deficit within five years.

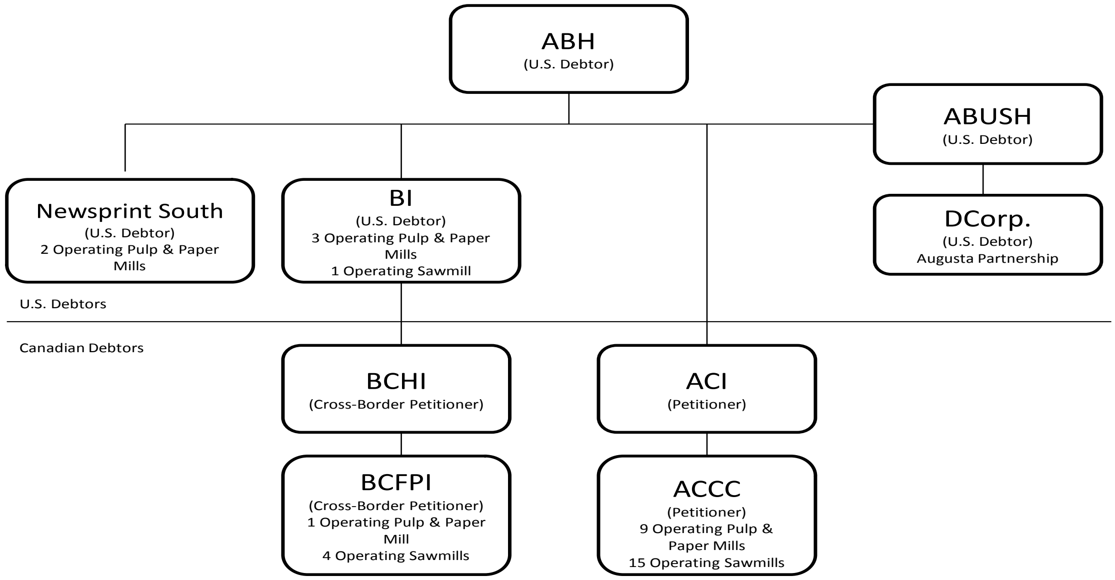
22. To the extent that the partial termination of the Plans entails the elimination of the deficits over a period of five years, the Monitor was advised by the Petitioners that, as of December 31, 2011, it would represent additional payments by Resolute of up to $150 million in the aggregate over those five years. As of December 31, 2015, it would represent additional payments of up to $134 million in the aggregate over those five years.

23. In its Application, the Petitioners requested that this Court declare that any claim for additional contributions under the Plans was extinguished by the Third Claims Order (as defined hereinbelow) and by the Sanction Order, that any claim for additional contributions resulting from events that occurred prior to April 17, 2009 (including plant closures) would be contrary to the Sanction Order and that the discretionary power of the Regie to order the partial terminations of the Plans is exhausted as it was exercised by the Regie prior to the Implementation Date.

24. Contestations to the Application have been filed by the Superintendent of Pensions of New Brunswick (the "**NB Superintendent**") and the Superintendent of Pensions of Newfoundland and Labrador (the "**NFLD Superintendent**") and submissions have been filed by the Regie.

PENSION DEFICITS

25. As set out in the Report of Ernst & Young Inc. dated April 16, 2009 (the "**First Report**") ABH functioned as a holding company and its business was conducted principally through four direct subsidiaries: BI, Bowater Newsprint South LLC ("**Newsprint South**") (BI, Newsprint South and their respective subsidiaries were collectively referred to as the "**BI Group**"), ACI (ACI and its subsidiaries were collectively referred to as the "**ACI Group**"), and AbitibiBowater US Holding LLC ("**ABUSH**") (ABUSH and its respective subsidiaries were collectively referred to as the "**DCorp Group**"). A summarized version of the ABH organization chart was as follows:



26. As at December 31, 2008, ABH employed approximately 15,800 active employees, of which approximately 11,300 worked in Canada. Approximately 9,000 of those employees were covered by collective bargaining agreements and the remaining employees were non-unionized.

27. The ACI Group had approximately 9,000 employees of which approximately 8,700 worked in Canada. The ACI Group maintained 20 registered pension plans for the Canadian employees. The pension plans consisted of defined benefit plans, defined contribution plans and some that operated on a hybrid basis. As at December 31, 2008, the aggregate solvency deficit of the defined plans (including the hybrid plans as applicable) was estimated to be approximately $964 million.

28. The BI Group had approximately 6,000 employees of which approximately 2,600 worked in Canada. The BI Group maintained 13 registered pension plans for the Canadian employees. The pension plans consisted of defined benefit plans, defined contribution plans and some operated on a hybrid basis. As at December 31, 2008, the aggregate

solvency deficit of the defined benefit plans (including the hybrid plans as applicable) was estimated to be approximately $419 million.

LIQUIDITY CRISIS

29. As was more fully set out in the First Report, in early 2009, the ACI Group, the DCorp Group and the BI Group did not have sufficient liquidity from operations to meet their significant near term debt maturity obligations and to pay their obligations generally as they came due (including special payments under the pension plans). The ABH Group had become insolvent and, therefore, on April 16/17, 2009 the Petitioners commenced CCAA Proceedings and the U.S. Debtors commenced Chapter 11 Proceedings.

ACI DIP

30. Just after the commencement of the CCAA Proceedings, ACI brought a motion requesting an Order approving a debtor-in-possession ("**DIP**") financing agreement in the amount of US$100 million (the "**ACI DIP Facility**") to ensure it would have sufficient liquidity for the duration of the CCAA Proceedings.

31. The ACI DIP Facility was approved by this Honourable Court in an Order dated May 6, 2009.

PENSION PLANS AND PAST SERVICE CONTRIBUTIONS

32. In addition to seeking approval of the ACI DIP Facility to address its liquidity concerns, the Petitioners also brought a motion to suspend special payments required to fund the pension plan deficiencies.

33. As set out in the Third Report, ACI's aggregate past service pension plan funding for its defined benefit pension plans was approximately $8.5 million per month or $102.4 million per annum.

34. Based on the Monitor's review of ACI's cash flow projections, it appeared that ACI did not have sufficient liquidity to fund an aggregate of $102.4 million of past service pension contributions per annum without substantially consuming its liquidity reserves,

including the US$100 million ACI DIP Facility, thereby leaving it with little flexibility or margin of error in the event of negative cash flow variances or operating contingencies.

35. BCFPI’s aggregate past service pension plan funding for its defined benefit pension plan was approximately $4.7 million per month or $56.9 million per annum. It also appeared that BCFPI did not have sufficient liquidity to fund its past service contributions without risking its ability to continue to operate.

36. On May 8, 2009, the Court issued an Order suspending the special payments.

CLAIMS PROCEDURE ORDERS

37. On August 26, 2009, the first claims procedure order (the “**First Claims Order**”) was issued authorizing the Petitioners to conduct a process for calling for and determining the claims of its creditors. Among other things, the First Claims Order established the date of November 13, 2009 as a bar date for the filing of claims generally representing the majority of creditors.

38. On January 18, 2010, the second claims procedure order (the “**Second Claims 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 Petitioners.

39. On February 23, 2010, the third claims procedure order (the “**Third Claims 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 First Claims Order and the Second Claims Order.

40. On July 21, 2010, the fourth claims procedure order was issued authorizing, among other things, certain claims filed against the Petitioners with the Monitor to be deemed to be timely filed with the Monitor for the purposes of the claims process.

MULTIPARTY DISCUSSIONS

41. During the CCAA Proceedings, the Petitioners were engaged in discussions with the unions and governments with respect to the pension plan deficiency in an effort to come to a resolution of the pension issue. The Monitor was not a party to those discussions; however, the Petitioners generally provided updates to the Monitor on the progress of those discussions.

FUNDING RELIEF PARAMETERS

42. As disclosed in the Notice of Meeting and Information Circular Pertaining to a Plan of Reorganization and Compromise (the "**Circular**") dated August 2, 2010, there were a number of key conditions that were required to be fulfilled before the CCAA Plan could be implemented and the Petitioners were able to emerge from the CCAA Proceedings. One such condition was that the following regulations were to have been adopted in form and substance satisfactory to the Petitioners (together, the "**Special Funding Relief Regulations**"):

   (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 the defined benefit registered pension plans under that Act; 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 the defined benefit registered pension plans under that Act.

43. Specifically, the regulations were to provide, among other things, that the Company's aggregate annual contribution in respect of the solvency deficits of the pension plans for each year from 2011 through 2020 be limited to the following: (i) a $50 million basic contribution; (ii) beginning in 2013, if the plans' aggregate solvency ratio fell 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 exceeded a specified threshold and the plans' aggregate solvency ratio was 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 pension plan move into surplus during the 2011 – 2020 period, it would cease to be subject to the funding relief. After 2020, the funding rules generally in place at the time would apply to any remaining deficit.

44. As disclosed in the Circular, the Petitioners had reached an agreement in principal with the pension authorities in Quebec on the above mentioned financial parameters but the agreement remained subject to completion of certain discussions with the government of Quebec. Discussions were also ongoing, at the time, with the Province of Ontario.

PENSION AGREEMENTS

45. As disclosed in the Fifty-Seventh Report of the Monitor dated September 7, 2010, the Petitioners advised the Monitor that discussions with the Regie and government of Quebec had progressed to a stage where an agreement in principle was reached. However, discussions with the pension regulator in Ontario had not progressed to a similarly advanced stage. The Petitioners advised the Monitor that in both instances they were optimistic that the required approvals would be obtained.

46. As set forth in the Fifty-Ninth Report of the Monitor dated September 17, 2010, the Petitioners reached an agreement with the Quebec provincial government and the Regie that would allow the Petitioners' pension plans registered in the Province of Quebec (including the Plans) to continue to pay 100% of pension benefits to retirees and beneficiaries. In exchange for relaxed regulatory pension plan funding requirements, the Petitioners agreed to, among others, preserve their headquarters in Quebec and to invest $75 million over five years in new projects. In addition, Resolute would not pay dividends until the Quebec worker's pension funds were at least 80% solvent.

47. On November 15, 2010, the Ontario Minister of Finance (the "**Minister**") signed a comfort letter wherein the Minister advised that he was prepared to recommend regulatory amendments to the Ontario government to permit the requested pension funding relief as set forth in the AbitibiBowater/Ontario Pension Funding Agreement.

48. As set forth in the Sixty-Ninth Report of the Monitor dated December 7, 2010, on November 19, 2010, the Petitioners announced that they had reached an understanding with the Ontario government related to funding relief in respect of the aggregate pension deficits in the Petitioners' pension plans in Ontario.

49. The Petitioners waived the condition precedent that the Special Funding Relief Regulations be formally adopted prior to emergence from the CCAA Proceedings based on assurances it had received from the Ontario and Quebec governments that the funding relief regulations would be adopted. The CCAA Plan was implemented on December 9, 2010 and the effective date under the U.S. Plan was December 9, 2010.

50. The Special Funding Relief Regulations were adopted by the Ontario and Quebec governments subsequent to the Implementation Date.

MONITOR'S COMMENTS

51. As indicated, the Monitor was not involved in the Petitioners' multiparty discussions in respect of the pension issues. The Petitioners generally provided updates to the Monitor on the progress of those discussions. At no time during the CCAA Proceedings was the Monitor made aware that the NB Superintendent or the NFLD Superintendent would be requesting a partial wind-up of the Plans in respect of former employees residing in New Brunswick and Newfoundland and Labrador (the "**Partial Windups**").

52. Furthermore, the Partial Windup was not raised by any party as being an issue of concern during the Court sanction hearing to have the CCAA Plan approved.

53. The implementation of the CCAA Plan was conditional on securing exit financing. The Partial Windups, if widely known, may have had a negative impact on the Petitioners' ability to secure exit financing or the terms thereof.

54. The Partial Windups would have the effect of accelerating the elimination of the pension deficit for the members of the Plans residing in New Brunswick and Newfoundland and Labrador. Currently, all members of the Petitioners' pension plans, wherever situate, are treated equally as it relates to the payment of the aggregate annual contribution to the

solvency deficits based on the terms of the Special Funding Relief Regulations. If claims for additional contributions arising from the Partial Windups were allowed, it would mean that the pension beneficiaries of the Plans residing in the Provinces of New Brunswick and Newfoundland and Labrador would receive more favorable treatment than the other members of the Petitioners' pension plans.

55. In addition, accelerating the elimination of the pension deficit would adversely impact the Petitioners' cash flow.

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

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.
20. Abitibi-Consolidated (U.K.) 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