

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF
MONTREAL

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*

**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

SIXTY-SEVENTH REPORT OF THE MONITOR

November 15, 2010

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 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 has been subsequently extended to the date of implementation of the plan of reorganization and compromise filed by the Petitioners pursuant to further Orders of this Honourable Court.
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, Bowater Canadian Limited, AbitibiBowater Canada Inc., BCFPI, Bowater LaHave Corporation and Bowater Maritimes Inc. have 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**”.

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. 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.

BACKGROUND

9. In October 2007, ACI and BI merged to create ABH which 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 pulp and paper facilities, wood products facilities and recycling facilities located in Canada, the United States and South Korea. The Petitioners’ United Kingdom subsidiary, Bridgewater Paper Company Ltd. (“**Bridgewater**”), filed for administration, pursuant to the United Kingdom’s Insolvency Act of 1986 on February 2, 2010. The UK administrator announced on May 19, 2010 that it had sold the property formerly owned by Bridgewater.
10. 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**”).

11. ACI is a direct and indirect wholly-owned subsidiary of ABH.
12. 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.
13. ACCC, a wholly-owned subsidiary of ACI, and BCFPI hold the majority of ABH’s Canadian assets and operations.

PURPOSE

14. The purpose of this sixty-seventh report (the “**Sixty-Seventh Report**”) is to report to this Honourable Court with respect to the Petitioners’ motion for an order authorizing and directing the distribution of funds being held by the Monitor pending further order of this Honourable Court.

TERMS OF REFERENCE

15. In preparing this Sixty-Seventh 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 Sixty-Seventh Report. Some of the information referred to in this Sixty-Seventh Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this Sixty-Seventh 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.

16. Capitalized terms not defined in Sixty-Seventh Report are as defined in the previous reports of the Monitor and the Initial Order. All references to dollars are in U.S. currency and are translated at a rate of CDN\$1.00=US\$0.98 unless otherwise noted.
17. Copies of all of the Monitor's Reports, in both English and French, including a copy of this Sixty-Seventh 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.
18. 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.

DISTRIBUTION OF THE ESCROWED FUNDS

19. The Petitioners have filed a motion for an order authorizing and directing the Monitor to distribute to the Petitioners, on the Implementation Date (or as soon as practicable thereafter), the sum of CDN\$77,208,490.17 (the "**Escrowed Proceeds**") held as of November 5, 2010 by the Monitor in its trust account in respect of asset sales, as well as any interest thereon and other proceeds of asset sales or other dispositions which have been directed by this Honourable Court to be held by the Monitor, including certain promissory notes due from 4513541 Canada Inc., now in receivership (collectively, the "**Escrowed Funds**").

20. The Escrowed Funds are derived from the sale of assets formerly owned by the Petitioners, during the CCAA Proceedings, which sales were authorized by this Honourable Court as follows:

Assets Sold	Date Approved by the Court
Avenor Timberlands (Smurfit Timberlands)	August 26, 2009
Belgo assets	November 24, 2009
St-Raymond assets	December 11, 2009
Mackenzie assets	March 23, 2010
Beaupré, Donnacona, Dalhousie and Fort William assets	March 5, 2010
St. Fulgence assets	June 23, 2010
Hunt River, Kenora and E. Tremblay & Fils assets (Note: only a portion of these proceeds have been received by the Monitor as at the date of this Sixty-Seventh Report)	September 29, 2010

21. In addition to the Escrowed Proceeds, the Monitor also holds several promissory notes¹ in connection with the sale to 4513541 Canada Inc. of the following assets:

Assets Sold	Date Approved by the Court
Botwood and Stephenville assets	April 27, 2010
Baie-Comeau assets, Outardes assets, la Baie assets and Saguenay assets	September 1, 2010
Baker Brook assets, the Kenora Margach assets, the Kenora Mud Lake assets, the Dryden Mercury assets and the Highway 28 assets	September 10, 2010

¹ The promissory notes are included in the definition of Escrowed Funds for the purposes of this Sixty-Seventh Report.

22. The Monitor may receive additional funds from and after the date hereof with respect to proceeds from future asset sales which may occur prior to the Petitioners' emergence from the CCAA Proceedings. With the exception of the portion of the proceeds from the sale of the Hunt River, Kenora and E. Tremblay & Fils assets still to be received, the proceeds of which are included in the definition of Escrowed Funds, it is contemplated that the receipt of any additional funds from and after the date hereof with respect to future asset sales will be dealt with in the applicable vesting order in respect of such sale(s).
23. The Petitioners have advised the Monitor that the proposed distribution of the Escrowed Funds upon implementation of the CCAA Plan (defined below) is conditional upon the payments to the holders of secured claims as provided in the Petitioners' plan or reorganization and compromise (the "**CCAA Plan**") and the order issued by this Honourable Court dated September 23, 2010 sanctioning the CCAA Plan (the "**Sanction Order**").
24. The Monitor is also holding approximately CDN\$153.3 million in respect of the ULC DIP Facility pursuant to an order of this Honourable Court dated November 23, 2009 (the "**ULC DIP Amounts**")². Approximately CDN\$100 million (plus any accrued interest thereon) of the ULC DIP Amounts shall be distributed to the Petitioners in accordance with the Restructuring Transactions which were sanctioned and approved by this Honourable Court in the Sanction Order. The balance of the ULC DIP Amounts shall be distributed to the Petitioners in accordance with the terms and conditions of an Escrow Agreement dated December 9, 2009 by and among Alcoa Ltd., 3239932 Nova Scotia Company, the Monitor (as escrow agent thereunder), ACI and certain other parties.

RECOMMENDATION

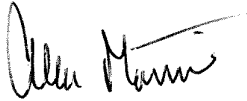
25. The Monitor recommends that this Honourable Court issue an order authorizing and directing the Monitor to distribute the Escrowed Funds to the Petitioners on the Implementation Date or at the earliest practicable date thereafter.

² The ULC DIP Amounts are comprised of : (i) \$52.3 million of a Restricted ULC Reserve Deposit; (ii) \$50 million of ULC DIP Available Upon Notice; and (iii) \$50 million ULC DIP Upon Court Approval.

All of which is respectfully submitted.

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

Per:

A handwritten signature in black ink, appearing to read "Alex Morrison". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Alex Morrison, CA, CIRP
Senior Vice President

John Barrett, CA, CIRP
Senior Vice President

Todd Ambachtsheer, CA, CIRP
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. Canixel 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